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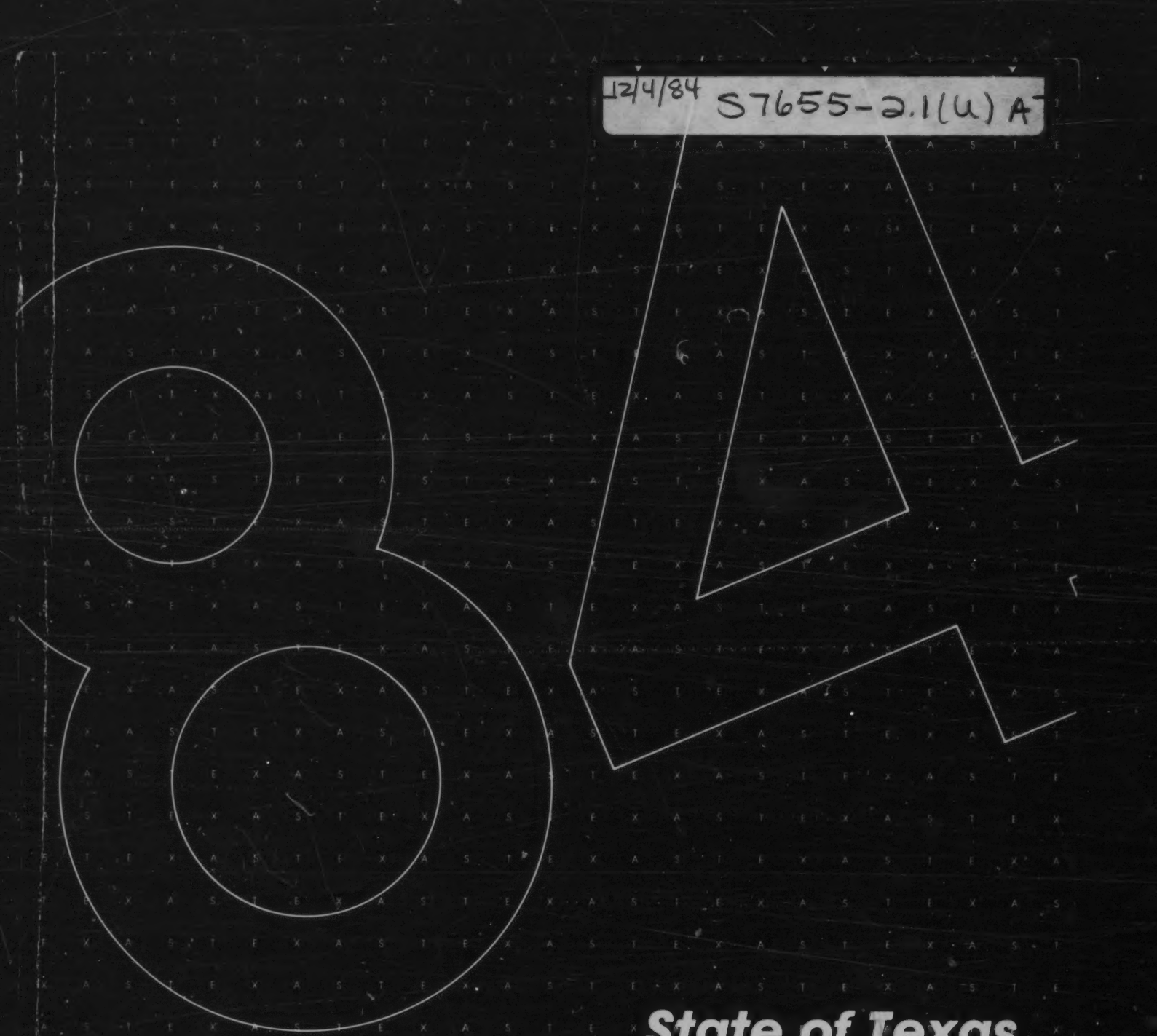

State of Texas
1984 Annual Financial Report
Fiscal Year Ended August 31, 1984

Bob Bullock
Comptroller of Public Accounts

Bob Bullock

Comptroller of Public Accounts

Austin, Texas 78774

512-475-6001

LBJ
State Office
Building

November 5, 1984

The Honorable Mark W. White
Governor of Texas
The State Capitol
Austin, Texas 78767

Dear Governor White:

State government finances remained sound during the year ending August 31, 1984, a year of economic recovery for Texas.

In fiscal 1984, net state government revenue increased 9.9 percent and net state expenditures showed a six percent increase. Tax receipts grew by 9.5 percent, while federal funding increased 9.3 percent.

Total revenue and a beginning cash balance of $2.69 billion supported net expenditures of $14.35 billion.

My report details revenue and expenditures for 1984, as required by Tex. Rev. Civ. Stat. Ann. art. 4348.

Respectfully,

BOB BULLOCK
Comptroller of Public Accounts

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[1]Numbers in parentheses are table numbers for last year's report. Tables 35-40 of the 1983 report appear in Volume II.

Introduction

The *1984 Annual Financial Report of the State of Texas* presents information about the state's financial condition and about the revenue and expenditure transactions for which the Comptroller of Public Accounts has accounting responsibility. The report is presented in two volumes.

This first volume offers summaries of financial condition, revenue collections, expenditures, and fund balances.

The volume is divided into three parts. The first part reviews the recent performance of the Texas economy and the financial impact of the 1984 special legislative session.

The second part presents an overview of the state's financial system, statements of cash condition, investment schedules, bonded indebtedness schedules, securities held in trust by the state, and suspense funds.

Part two also reviews petty, imprest and travel cash funds; highway fund receipts and allocations; dedicated general revenue; and the foundation school program.

The third section reviews revenue collections, federal funding, expenditures, and aid to local governments.

Amounts in the first volume have been rounded to the nearest dollar.

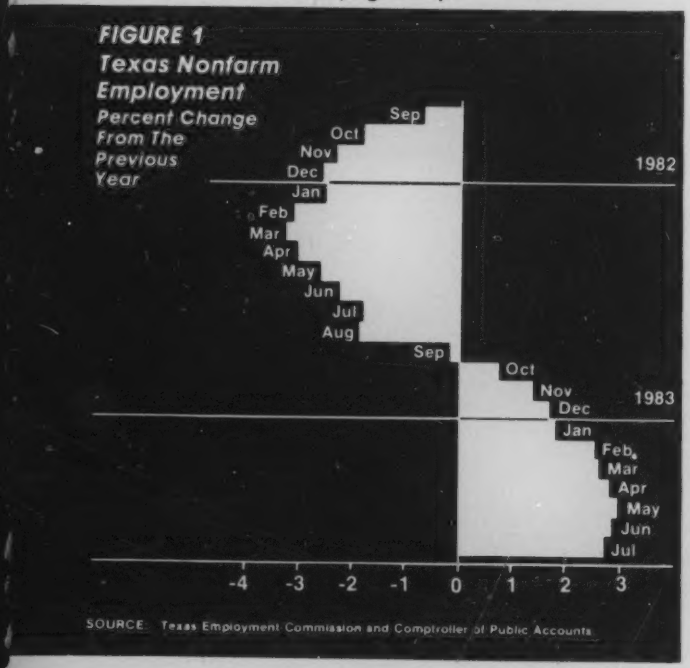
The other volume, *Revenue and Expenditures of State Funds,* gives detailed information about revenue, expenditures and the transactions of each state fund.

The Texas Economy In 1984-- A Year Of Recovery

Fiscal 1984 was a good year for the Texas economy, and that translated into higher tax revenue for the state.

At year's end, August 31, 1984, employment was growing at an annual rate just under three percent (Figure 1). By July 1984, 130,000 more Texans had jobs than at the start of the fiscal year. As more people went to work, the unemployment rate fell, dropping from 8.4 percent in September 1983 to 6.1 percent in July.

More jobs means more paychecks, and 1984 brought welcome relief for the state's wage earners. Adjusted for inflation, Texas personal income was growing at an annual rate of only 1.5 percent in Fall 1983. By winter, growth was up to 6.6 percent, more like the Texas of old (Figure 2).

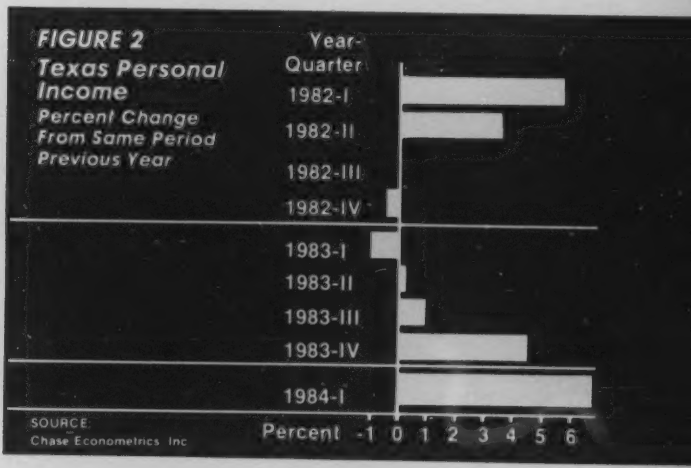


Improvement in the three factors which hurt the Texas economy in 1983--falling oil prices, sudden peso devaluations and a sagging United States economy--laid the foundation for the 1984 recovery.

The Oil and Gas Industry

Oil prices, which dropped dramatically in 1983, stabilized in 1984, bringing renewed confidence to the oil industry. Companies were more willing to invest their money in oil and gas drilling, as was evident from state oil and gas statistics (Figure 3).

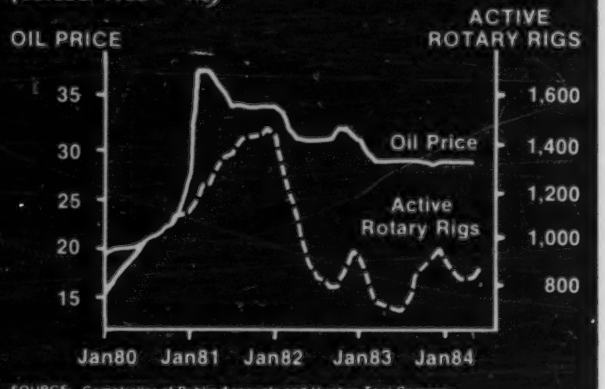
The number of active rotary rigs rose from 687 in July 1983 to 866 by June 1984. More rigs meant more people were needed to operate them. The ripple effects of these jobs were felt throughout the economy.



While oil and gas extraction accounts for only 4.3 percent of the state's nonfarm employment, its significance should not be underestimated. The oil industry has a huge impact on other industries in Texas. The industry spends billions of dollars in the state, creating jobs in manufacturing, construction, services and transportation. The Comptroller estimates that almost one-fourth of all Texans owe their jobs directly or indirectly to the oil and gas industry.

The industry also has a tremendous impact on tax revenue. Recent Comptroller studies show that every dollar change in oil prices causes a $70 million combined change in state sales and oil tax revenue.

FIGURE 3
Indexes Of Oil Price And Operating Rotary Rigs
(October 1980 1.0)



SOURCE: Comptroller of Public Accounts and Hughes Tool Company

A Statewide Shopping Spree

Texas consumers, armed with confidence from a surging United States economy, beat a path to retailers' doors in 1984.

The state sales tax, which fell 4.5 percent between 1982 and 1983, rose a healthy 14.5 percent in 1984.

Between June 1983 and May 1984, Texans purchased $92 billion worth of consumer merchandise, almost $10 billion more than they bought during the previous year.

Most of this increase was from sales of big-ticket items, or durable goods, such as automobiles and appliances. Sales of these items shot up 20 percent.

Automobiles were at the top of many consumers' wish-lists. Many of the people who had put off buying new cars in 1982 and 1983 entered the market. As confidence in the national recovery rose and as interest rates fell, auto sales soared. Spring 1984 car sales were up over 14 percent from the previous spring. Motor vehicle sales taxes in 1984 were up 26 percent from 1983.

The biggest turnaround in retail sales came along the Mexican border, as the Mexican government took action to end sudden, dramatic peso devaluations.

The Texas Job Pie

The Texas recovery was most noticeable in oil and gas and retail trade, but industries such as manufacturing and services also fared well. However, some others, notably construction and agriculture, did not share equally in the recovery.

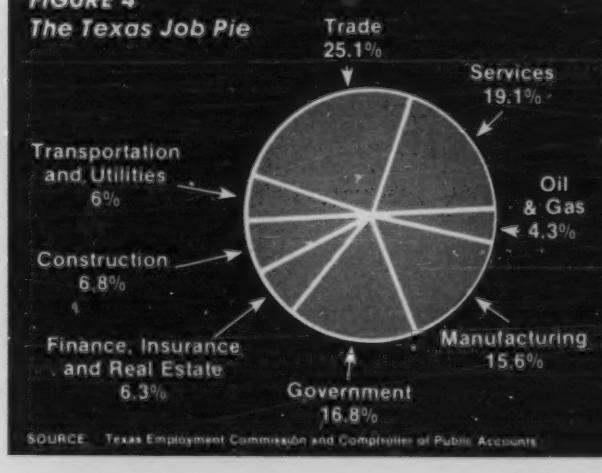
Manufacturing accounts for 15.6 percent of Texas nonfarm jobs (Figure 4). Much of the state's manufacturing is oil-related, ranging from refiners to builders of drilling rigs and pipelines. As the oil industry recovered, so did these businesses.

High-technology, defense equipment and consumer goods manufacturers also enjoyed a good year.

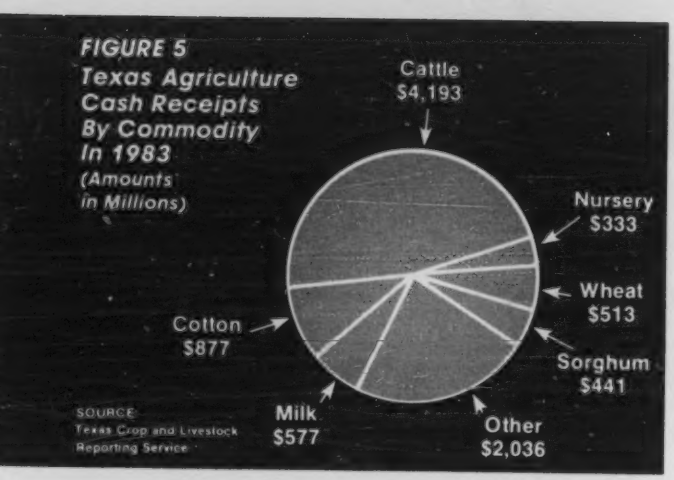
Overall, manufacturing employment grew 3.3 percent in 1984, putting 35,000 Texans back to work.

The service industry accounts for more than 19 percent of the state's jobs. These jobs are in entertain-

FIGURE 4
The Texas Job Pie



SOURCE: Texas Employment Commission and Comptroller of Public Accounts



ment, health care, private education institutions, hotels and other business, professional and personal services.

The service industry added over 42,000 jobs during fiscal 1984, an increase of 3.4 percent. The biggest increase came in business and repair services, which increased their work forces six percent.

Unlike the booming industries, construction was down in Texas in 1984 after reaching record highs in preceding years. The industry, which accounts for 6.8 percent of the jobs in Texas, suffered from overbuilding. Major cities in Texas have not yet been able to absorb all of the office and residential space built over the last few years. Employment fell by four percent, a loss of 17,000 jobs over the fiscal year.

The state's agriculture industry also fared poorly. Cash receipts from farm product sales fell seven percent this past year as weather took its toll in Texas West Texas farmers and ranchers continued to suffer from drought. South Texas farmers suffered from an unexpectedly harsh December freeze.

Federal subsidy programs, designed to reduce farm production and strengthen farm prices, also held down cash receipts (Figure 5).

Looking Down the Road

The Texas economy was on the road to recovery in 1984, and the journey should continue through 1985.

A continuing national economic recovery means even better times could be ahead for most Texas businesses. Conditions in the oil and gas industry should continue to improve, although slow growth in oil and gas prices will prevent a return to the energy boom of years past.

The healthiest economic regions of the state in 1984 should continue to be the healthiest in 1985. The outlook is particularly good for the Metroplex and the Central Corridor. The Border economy should continue to improve, although the threat of further peso devaluations remains.

Overall, the economic outlook for the state is a good one. Texas growth should again surpass the national average, although it will fail to match the state's spectacular growth during the late 1970s and early 1980s.

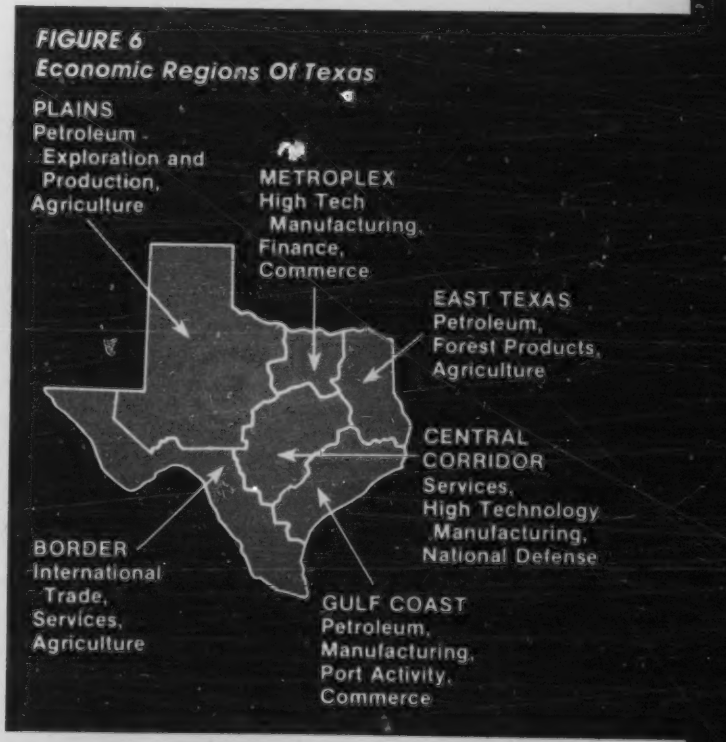
Recovery Among The Regions Of Texas

Although 1984 was a year of rebuilding for the Texas economy, all areas of Texas did not share equally in the recovery.

While Texas unemployment was among the lowest in the nation at 6.1 percent in July, rates across the state ranged from 3.2 percent in Austin to 18.3 percent in McAllen in the lower Rio Grande Valley.

Five Texas cities ranked among the 50 United States cities with the highest unemployment rates, while 12 Texas cities were among the 50 United States cities with the lowest unemployment.

This economic diversity results from the unique economic bases which underlie different regions of Texas (Figure 6). Each of these regional economies



responds differently to national and international economic events.

For example, East Texas is primarily a nonmetropolitan region, mostly dependent on the production and processing of timber, petroleum and coal. The Metroplex, on the other hand, is almost totally metropolitan, with diversified manufacturing and service sectors.

The Plains region is the largest and most sparsely populated area of the state with a petroleum- and agriculture-based economy. The Border area is characterized by its economic dependence on trade with Mexico.

The most populous region of Texas--the Gulf Coast--has an economy centered around petroleum and petrochemicals, while government and private service sectors and an emerging high-technology manufacturing sector provide the economic base for the Central Corridor.

Those regions heavily dependent on the petroleum industry or on the peso are showing the weakest recoveries, while economic regions built on the growth industries of the mid-1980s--consumer goods and services, defense and high-technology production--scarcely knew a recession occurred.

Central Corridor

The Central Corridor has led the way since the Texas economic recovery began. Employment in the region has been growing at an average annual rate of 5.3 percent since the first quarter of 1983.

The importance of high-technology employment in the region, the relatively small part played by the oil and gas industry there and the stable employment base provided by the region's service and government sectors have led to steady economic growth.

Brackenridge Hospital, Austin, Texas

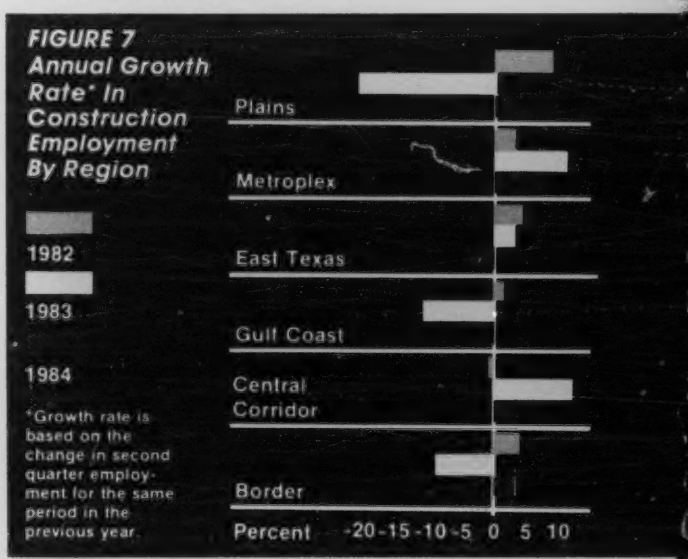
The Central Corridor relies less on the oil and gas industry for employment than any other region of the state (1.7 percent of total employment), and possesses a high-technology sector second only to that of the Metroplex (five percent of total employment).

The Corridor's service sector, led by medical and educational services, provides over one-third of total employment, the largest portion among the state's economic regions. Add to this the presence of the state capitol and substantial defense outlays ($3.1 billion in 1980), and the result is an economic stability unknown to the other regions of the state.

The expansion created by the strong service base and rapidly emerging high-technology manufacturing sector have spawned the fastest growing construction sector in the state. Construction employment grew at a 10 percent annual clip in 1984 on top of 12 percent growth in 1983 (Figure 7).

These factors combine to produce a regional economy that promises to be the healthiest in the state for some time to come.

FIGURE 7
Annual Growth Rate* In Construction Employment By Region



*Growth rate is based on the change in second quarter employment for the same period in the previous year.

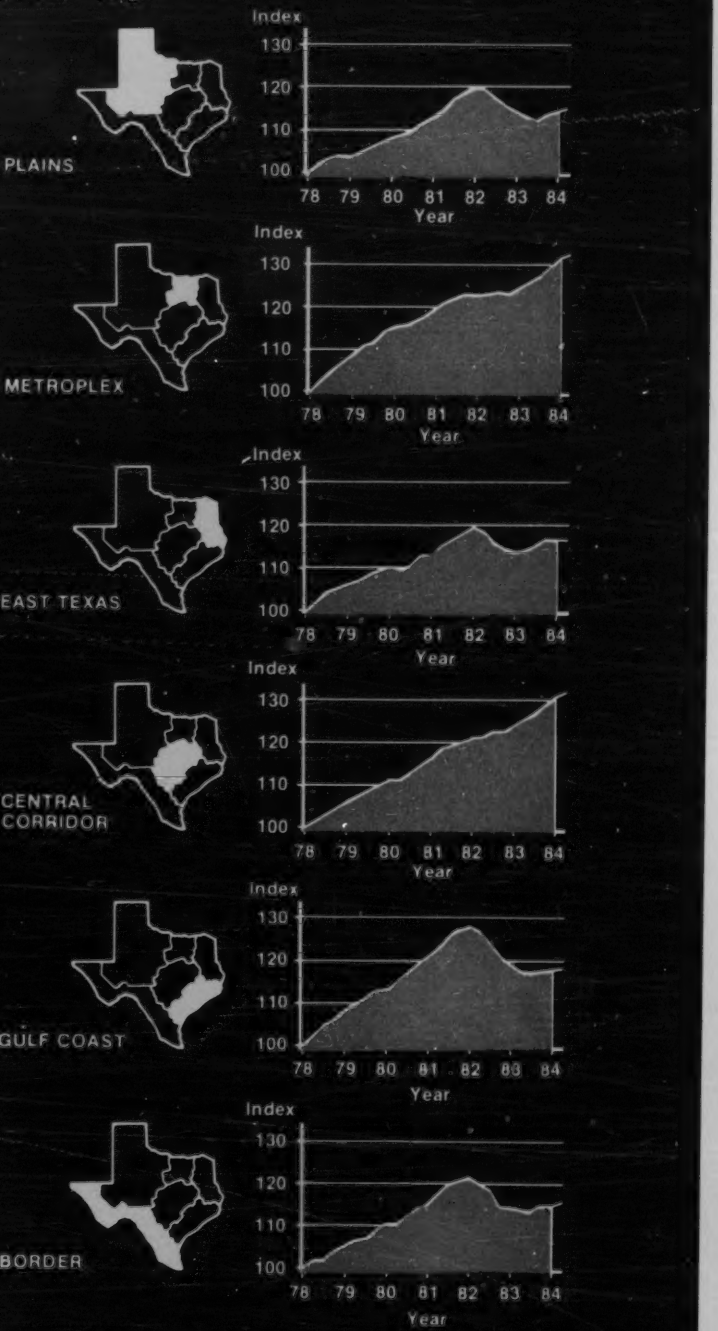
Metroplex

The Metroplex economy was a steady performer during the oil boom and bust and is presently growing at a rate surpassed only by that of the Central Corridor.

Employment growth in the region accelerated somewhat during late 1980 and early 1982, and slowed during 1983, but showed none of the volatility of the petroleum-based Plains and Gulf Coast regions (Figure 8).

Since the upturn in Texas nonfarm employment in the first quarter of 1983, Metroplex employment has

FIGURE 8
Regional Nonagricultural Employment Indexes[1]
(1978 100)



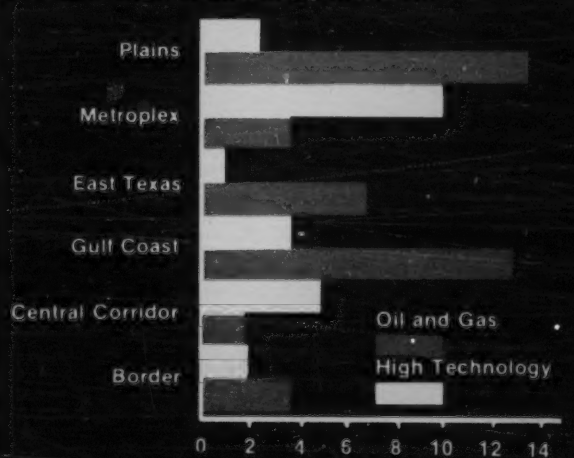
[1]The index is computed by dividing the nonagricultural employment in each quarter by its level in the first quarter of 1978. In any given period, therefore, the value of the index indicates by what percentage employment has grown since 1978. The steeper the slope of the line, the faster is the rate of growth.

been growing at an average annual rate of five percent compared to a growth rate of three percent for the state as a whole.

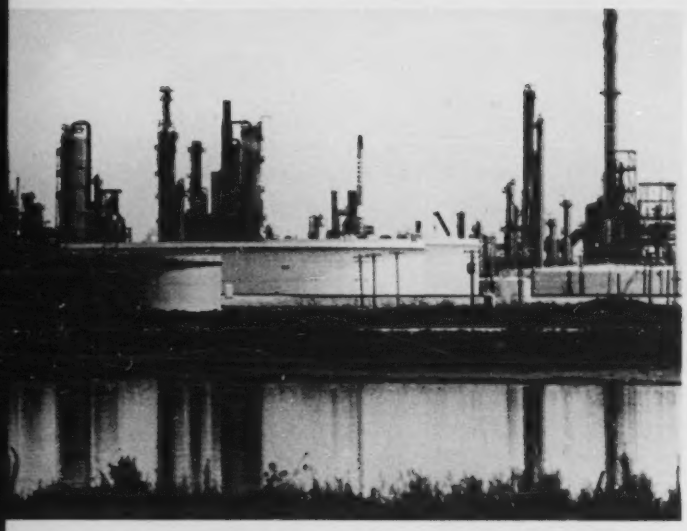
The Metroplex is the prime example statewide of an economy based not on petroleum but on high-technology, manufacturing and service industries. Ten percent of Metroplex employment is related directly to the design and production of high-technology equipment, including defense hardware, while only 3.5 percent of the region's employment is in the oil and gas industry (Figure 9). Indeed, the Metroplex is the home of the high-technology industry in the state with over 50 percent of the total state high-technology employment.

The region also is an international trade and financial center and the steady performance of its basic manufacturing sectors has caused its retail trade, service and construction sectors to be among the healthiest in the state.

FIGURE 9
Regional Employment In The Oil And Gas And High-Technology Industries



SOURCE: Texas Employment Commission and Comptroller of Public Accounts



Gulf Coast

The Gulf Coast is experiencing the weakest recovery of any of the state's regions. Since employment bottomed out in mid-1983, it has been growing at only a 1.1 percent average annual rate.

The weak recovery is due in large part to the extent of the Gulf Coast's expansion during the oil boom. Between 1979 and 1981, employment growth surpassed that in any other region of the state.

The economy of the Gulf Coast is dominated more than any other by the petroleum industry. At the height of the oil boom, almost 17 percent of Gulf Coast employment was tied directly to production of petroleum and petrochemicals. The number would be twice that if service and trade workers whose wages were paid indirectly with petroleum dollars were included.

When oil prices fell, the Gulf Coast felt the blow like no other region in the state. With stable oil prices, the Gulf Coast is beginning its recovery.

Recovery continues to be hampered, however, by excess office space, hotel rooms, factory space and multifamily housing. As a result, construction employment has fallen more dramatically in the Gulf Coast than in any other region--down 11 percent in 1983 and down another six percent in 1984.

Recovery in the Gulf Coast region will continue to be a slow and somewhat uneven process. The relatively diversified economy of Houston will come back first trailed by Beaumont-Port Arthur and Corpus Christi, which are almost totally dominated by the petroleum industry.

Border

The Border economy began turning around in mid-1983. Since that time, employment has grown at an average annual rate of two percent. Even with this growth, nonfarm employment at 410,000 is still 25,000 below its peak of 435,000 in early 1982.

The Border recovery is due in large part to a revival of trade with Mexico. For the first half of 1984, retail sales were 15 percent above the total for the same period in 1983, above the 13.7 percent state average.

Economic recovery along the Border continues because the devaluation of the peso is not rapid enough to keep up with the relatively severe inflation in Mexico. American goods are becoming bargains and shoppers from Mexico are returning. A full recovery along the Border depends on a stable Mexican economy without drastic Mexican currency devaluations.

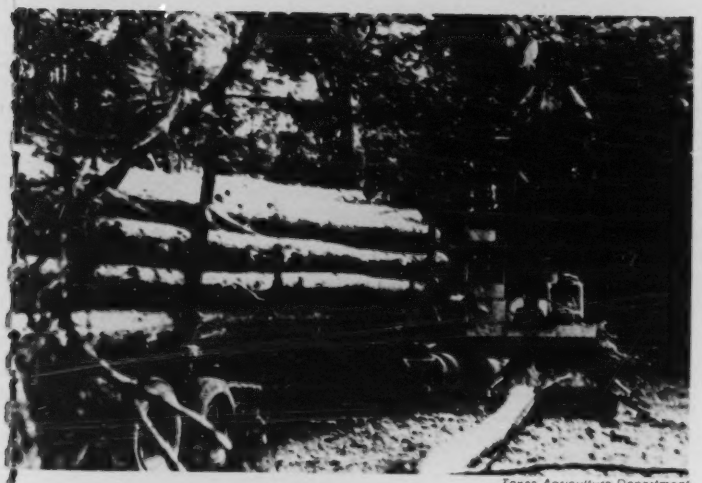
Recovery in 1984 in the southern part of the region, the Rio Grande Valley, was hampered by the severe Christmas 1983 freeze which devastated the citrus industry. While unemployment has been cut by 24 percent region-wide, unemployment in the Rio Grande Valley has only been reduced by 11 percent.

Texas Agriculture Department

East Texas

The economy of East Texas is based on natural resources--petroleum and timber. The region not only produces petroleum, but also manufactures substantial amounts of oil field equipment and supplies. From its forests come not only lumber for construction, but also wood products such as furniture, paper and cardboard packaging.

Over the past four years, prices of petroleum and lumber have generally followed opposing paths. While the petroleum sector of the East Texas economy expanded during the 1979-1982 period as oil prices rose, the lumber industry contracted as rising



Texas Agriculture Department

interest rates choked off construction and drove down the price of lumber (Figure 10).

Because of the dampening effect of the lumber industry downturn, East Texas did not respond as dramatically to rising oil prices as did other petroleum-rich regions.

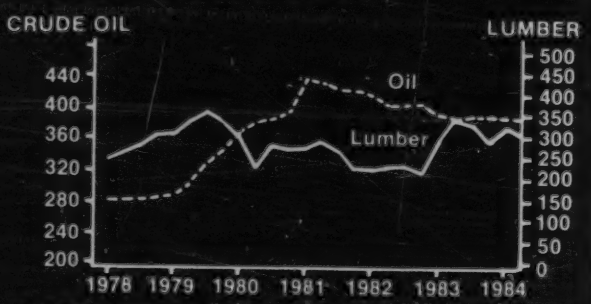
Recovery in East Texas began early in 1983, as oil prices stabilized and lumber prices began to increase as falling mortgage rates stimulated construction.

By late 1983, lumber prices began to moderate and by mid-1984, they were turning down. As a result, the East Texas recovery slowed in mid-1984.

Since the recovery began in East Texas in the first quarter of 1983, nonfarm employment has increased at an average annual rate of two percent. Employment is still 9,000 workers below its previous peak of 376,000 in early 1982.

Further increases in interest rates or falling oil prices would certainly delay the return of the East Texas economy to its 1982 high.

FIGURE 10
Producer Price Index For Softwood Lumber And Index Of Average Refiner Acquisition Cost Of Crude Oil



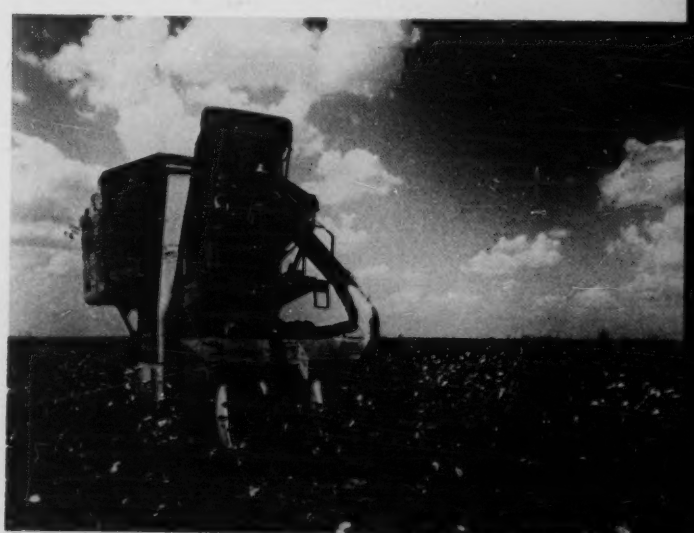
SOURCES: Chase Econometrics Inflation Planner and Department of Energy Monthly Energy Review.

The Plains

The Plains region is heavily dependent on oil and gas drilling and supporting industries. At the height of the oil boom in early 1982, more than 16 percent of employment in the Plains was in these industries.

Because of stable oil prices and falling drilling costs, drilling activity began to pick up in late 1983 and continued to grow in 1984. This translated into a six percent gain during 1984 in employment in oil and gas exploration in the Plains region.

Despite drought conditions which prevailed throughout the Plains region, the agricultural sector of the Plains economy contributed to the recovery in 1984. Analysts predict a bumper crop of cotton from the irrigated area north of Lubbock.



Texas Agriculture Department

The drought actually contributed to activity in the Plains feed lot and meat-packing industry as ranchers were forced to reduce the size of their herds. The negative effects of the drought were most severe on the dryland farming and ranching operations in the southern part of the region.

Overall, employment in the region grew at an average annual rate of four percent from the trough of the recession in early 1983 through 1984.

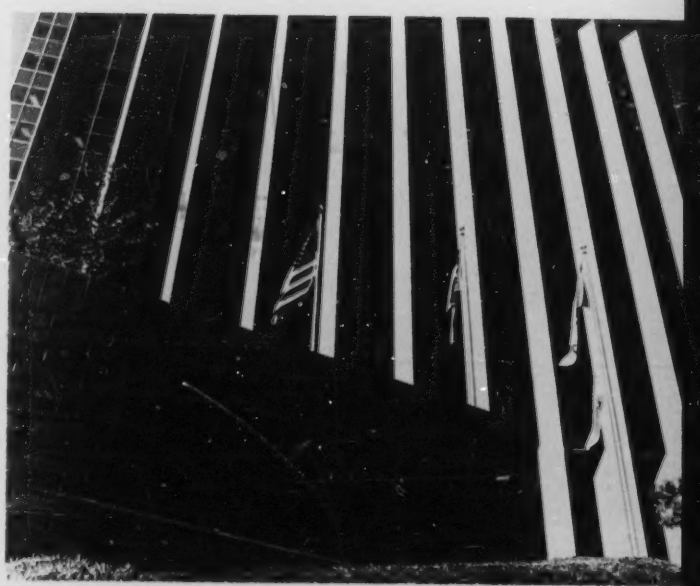
Special Legislative Session Approves Financial Changes

Meeting in June 1984 in special session, the Texas Legislature adopted several pieces of legislation which will have important consequences for Texas state finances in coming years.

Foremost among the Legislature's actions was the passage of a broad tax bill designed to finance education and highway improvements. The bill represents the first major state tax legislation enacted in Texas since 1971 (Table A).

The changes are expected to produce about $1.3 billion in new state income in the coming fiscal year. Local governments--cities, counties, metropolitan transit authorities and other taxing jurisdictions--will share an additional $135.7 million.

Since many of the tax changes will be in effect for only a part of fiscal 1985, revenue is expected to be substantially higher in fiscal 1986 and 1987. Total revenue raised by the bill during the first three years will be more than $5.1 billion, with the state's share equal to just under $4.7 billion.



Sources of New Income

The single largest source of new state revenue under the tax bill comes from increased motor fuels taxes. The increase in the tax rates on gasoline, diesel and other fuels will produce an estimated $420.2 million in fiscal 1985.

Also important in the overall tax plan are an increase of 1/8 percent in the state sales tax rate (to 4⅛ percent) and various sales tax base extensions. Taken together, the various sales tax rate and base changes are expected to produce $303 million in state revenue in fiscal 1985 and an additional $62.7 million in local income, mostly for Texas cities and transit authorities.

The Legislature also approved a series of increases in taxes and fees on motor vehicles in addition to the fuel tax increases. An increase in the tax rates on motor vehicle sales and rentals to five percent is expected to produce $159.8 million in new state income next year plus $8 million in county revenue.

Changes in motor vehicle registration fees are expected to produce an additional $153.6 million for the state in fiscal 1985.

One other major tax change affected the state corporate franchise tax. Increases in the tax rate and a broadened definition of the tax base are expected to produce an additional $155 million for the state.

The Legislature also brought banks under the franchise tax for the first time, with the income earmarked

TABLE A
Tax Change Made Under House Bill 122
68th Legislature, Second Called Session
June 1984
(Millions of Dollars)

Change	Fiscal 1985 Impact State	Local
Motor Fuel Taxes		
•Increase tax rate on all fuels to 10¢/gal.	$ 420.3	$ 0.0
•Allow refunds for bad debts	-0.1	0.0
Total Fuel Tax Changes	$ 420.2	$ 0.0
Sales Tax		
•Increase rate to 4.125%	$ 83.9	$ 0.0
•Extend tax base to cover:		
-Cigarettes and tobacco products	47.2	13.5
-Amusement admissions	44.1	12.6
-Repairs of personal property	33.2	9.5
-Laundry and dry cleaning	26.0	7.4
-Property used in federal contracts	16.2	4.6
-Certain transportation charges	10.0	2.9
-Certain computer software	7.6	2.2
-Cable TV service	6.9	2.0
-Newspapers and magazine subscriptions	6.0	1.7
-Vending machine food sales	4.6	1.3
-Home fertilizer	1.8	0.5
-Parking	3.4	1.0
•Changes in administrative practices	14.1	4.1
•New exemptions from tax:		
-Audio and audiovisual masters	*	*
-Seed and feed plants	*	*
-Flight simulators	-2.0	-0.6
Total Sales Tax Changes	$ 303.0	$ 62.7
Motor Vehicle Taxes and Fees:		
•Increase tax rate on:		
-Motor vehicle sales and use tax (5%)	$ 154.0	$ 8.0
-Motor vehicle rental tax (5%)	5.8	0.0
-Interstate motor carriers (5%)	0.7	0.0
•Motor vehicle registration fees		
-Increase fees on most vehicles	143.0	6.6
-Change to age basis registration	10.6	0.3
Total Motor Vehicle Tax and Fee Changes	$ 314.1	$ 14.9
Franchise Tax		
•Increase rate by $1 per $1,000 of taxable capital (to $5.25 per $1,000)	$ 134.5	$ 0.0
•Change tax base definition ("throwback rule")	20.5	0.0
•Impose tax on banks	0.0	58.1
Total Franchise Tax Changes	$ 155.0	$ 58.1
Alcoholic Beverage Taxes		
•Increase tax on:		
-Liquor	$ 6.4	$ 0.0
-Beer	5.0	0.0
-Wine	0.8	0.0
-Malt Liquor	0.2	0.0
-Mixed drinks	23.7	0.0
Total Alcoholic Beverage Taxes	$ 36.1	$ 0.0
Tobacco Taxes		
•Increase tax on cigarettes	$ 12.7	$ 0.0
•Include snuff under tobacco tax	1.0	0.0
Total Tobacco Taxes	$ 13.7	$ 0.0
Other Changes		
•Revise insurance tax rates	$ 26.0	$ 0.0
•Increase hotel-motel tax to 4%	11.4	0.0
•Increase coin-operated machine tax	2.5	0.0
Total Other Changes	$ 39.9	$ 0.0
TOTAL CHANGES-H.B. 122	$1,282.0	$135.7

SOURCE: Texas Comptroller of Public Accounts, July 1984.

*Negligible.

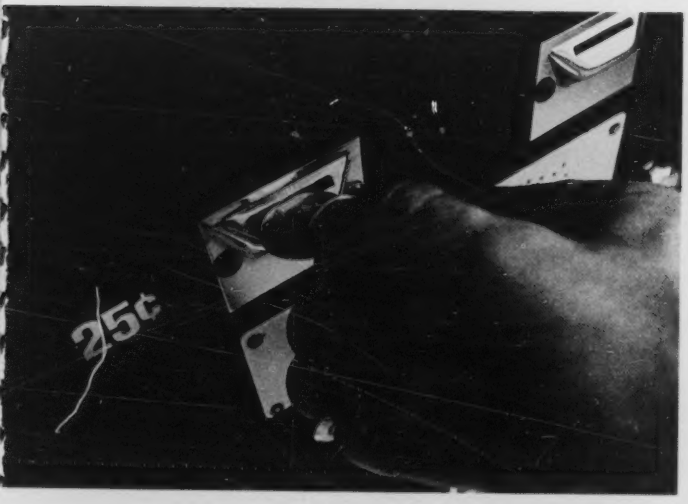
NOTE: The tax increases are estimated to have had negligible impact in fiscal 1984.

for local governments as a replacement for current ad valorem taxes on bank stock holdings. This essentially new tax is expected to produce over $58 million for local governments in 1985.

In addition to these major changes, a number of other revenue increases were also approved, including increases in alcohol, tobacco, hotel-motel and coin-operated machine taxes. The method of taxing insurance companies under the state gross premiums tax also was changed and higher rates were adopted for some insurers. Together, these changes are expected to net the state an additional $89.7 million in 1985.

Cash Management Changes

The Legislature also made several changes designed to correct a chronic mismatch between state income and spending during fiscal years. That is, the state doesn't receive its tax dollars in the same months that it makes large expenditures.



This cash flow problem is most pronounced in the spring of each year and usually clears up in summer, as large annual franchise tax payments begin to flow into the state treasury.

When mismatches occur, the Comptroller temporarily borrows from balances in other state funds to ensure that the critical General Fund always has a positive balance, allowing the normal processing of all claims.

In an effort to deal with this problem, the Legislature adopted a bill that evens income and spending and smooths over the rough edges in the fiscal system. The new law:

- moves the due date on franchise tax payments from June 15 to March 15, thus transferring over $600 million to the critical spring months.
- changes the way state payments to public schools and junior colleges are made, spreading payments more equally over the year.
- eliminates the Highway Motor Fuel Tax Fund, a temporary clearing fund for gasoline and diesel tax income. These taxes will now be deposited directly into the General Fund and will then be transferred each quarter to the State Highway Fund.

These changes also have the side benefit of contributing needed income to finance the education and highway programs adopted during the special session.

By bringing franchise tax dollars into the Treasury earlier and by smoothing school payments, the state will gain an estimated $16.5 million in additional interest income next year.

Financial Condition

Financial System Overview

Appropriations

The state constitution requires a legislative appropriation for any funds to be drawn out of the Treasury.

Appropriations are legal authorizations to spend money and to incur obligations for specific purposes. Appropriations are either legislative or constitutional. Legislative appropriations are made through an appropriation bill passed by the Legislature. Constitutional appropriations are those made through the constitution without need of further legislative action. There are few constitutional appropriations and they provide for items such as the payment of principal and interest of constitutionally authorized bonds and the investment of the bond proceeds.

Since appropriations are limited by the constitution to two year periods, one legislature cannot bind future legislatures, and a legislative session is necessary every two years to appropriate money to operate the state.

Generally an appropriation is made for a single fiscal year. The state fiscal year runs from September 1 to August 31. But, an appropriation can be for the full two years of a biennium or for any portion of the biennium.

While an appropriation is in effect, an obligation (or encumbrance) can be made to spend funds approved by the appropriation. Claims must be filed against an appropriation within two years of the end of the fiscal year for which the appropriation was made. The exception is construction appropriations which have extended payment periods up to four years after the effective fiscal year close.

The State Treasury must have enough cash in an appropriated special fund to honor a warrant drawn against the fund. Also, there must be a sufficient balance in the appropriation to draw a warrant on any fund--general or special.

The Comptroller is authorized by law to hold any warrant submitted for payment to a person indebted to the state and will hold the warrant to pay the debt.

Pay-As-You-Go

Before every regular session of the Legislature, the Comptroller is required to prepare and submit to the Governor and the Legislature a statement of the financial condition of the State Treasury at the close of the last fiscal year, probable receipts and disbursements for the current year and an estimate of revenue from all sources showing the fund accounts to be credited in the next biennium.

Supplemental statements are also required in advance of any special session. These statements give the Legislature information necessary to consider appropriation bills.

The Comptroller also is constitutionally required to certify that any appropriation bill is within the amount estimated to be available in the affected funds. It is this legal duty that makes Texas a pay-as-you-go state.

The state constitution thus requires a balanced budget and the state may not create a deficit. Pay-as-you-go in Texas means the budget is balanced at the end of each biennium.

This constitutional provision has been interpreted by the courts and various Attorney General Opinions to mean that the state may not create any debt that extends beyond the current accounting period.

The state's current accounting period is the fiscal biennium--a two-year period from September 1 of an odd-numbered year through August 31 two years later.

Budget

State agencies are required by statute to submit budget requests for appropriations to the Governor and the Legislative Budget Board. The two budget

authorities have developed uniform instructions and forms for budget requests, and budget estimates are prepared on the zero-base budgeting concept.

The Governor's Budget Office and the Legislative Budget Board evaluate budget estimates submitted in conjunction with testimony given at each agency's public budget hearings. Both budget offices prepare and submit printed copies of a general appropriation bill for the next biennium to the Senate and to the House of Representatives. Appropriation bills may originate in either House of the Legislature. A conference committee including members of both houses generally works to create the final general appropriation act for the biennium.

After a general appropriation bill passes both houses, the Comptroller must certify that the general appropriation bill includes funding within amounts estimated to be available in the affected funds. Comptroller certification is required for an appropriation bill to become law.

It is then sent to the Governor for his signature or disapproval. In Texas, the Governor has line item veto power. A Governor's veto may be overridden by a two-thirds vote of the Legislature, if it is still in session.

Fund Structure

Texas' accounting system includes a complex network of over 450 funds. These funds mostly have been created through constitutional and statutory provisions. A few funds are the result of administrative action.

A majority of the funds are maintained in the State Treasury as required by law. Funds maintained outside of the Treasury, known as "local funds," are administered by the state agencies in control of the funds and are not accounted for in the state accounting system. The funds in the State Treasury are grouped into eight categories as follows:

Group 1 - General State Operating and Disbursing Funds - includes the General Revenue Fund and agency operating funds from which general expenditures for the daily operations of state government are made.

Group 2 - Constitutional Funds Expendable for Specific Purposes - includes the Available School Fund 002; the State Highway Fund 006; Available University Fund 011; various bond sinking and reserve funds; and other funds which receive dedicated revenue. Expenditures from these funds are made for specific purposes such as support of public education, highway construction and bond debt service.

Group 3 - Federal Funds - includes the Federal Public Welfare Administration Fund 117 and other federal funds for programs administered by the state.

Group 4 - Trust or Pledged Funds - includes University of Texas Revenue Bond Fund 022, a debt service reserve fund, and the School Bus Revolving Fund 053, a fund used to purchase vehicles for public school transportation and which is reimbursed by the purchasing schools.

Group 5 - Constitutional Non-Expendable Funds - consists of endowment funds such as the Permanent University Fund 045. The principle of these funds may be invested but not appropriated for state expenditures.

Group 6 - Tax Clearance Funds - includes Highway Motor Fuel Tax Fund 060 and Mixed Beverage Clearance Fund. These funds receive "earmarked" revenue dedicated to specific funds to support state spending.

Group 7 - Petty Cash Funds - includes funds authorized by the Legislature to be held outside of the State Treasury by various agencies for payment of travel advances and other nominal expenses.

Group 8 - Trust and Suspense Funds - are generally used to hold monies for specific purposes and funds held in lieu of surety bonds. A major series of trust funds hold the receipts of the State Employee and Teacher Retirement Systems. Suspense funds are temporary depositories for monies held by the state pending final disposition.

Accounting and Financial Reporting

The State of Texas is mandated by law to maintain its accounting and reporting on a strict cash basis. However, each state agency maintains its own accounting system on a modified accrual basis in accordance with Generally Accepted Accounting Principles. Each agency's financial statements are audited annually by the State Auditor.

The Comptroller of Public Accounts is required by statute to superintend the fiscal concerns of the state and to develop and issue forms used in collecting state revenue and in paying the bills of state govern-

ment. The Comptroller is also required to provide the Governor with an annual financial statement detailing the state's fiscal activities.

The state's central accounting system, known as FACTS (Financial Accounting and Control for Texas System) helps the Comptroller perform his fiscal duties. This system records financial information on a strict cash basis as required by the Constitution and statutes.

FACTS is the primary source of warrant issue, fiscal control and financial information for the state as an entity. While FACTS is independent of individual state agencies, each agency is required by law to reconcile internal accounting records to the state system. FACTS also is used by the State Auditor as the basis for agency audits.

The Comptroller also is charged with keeping the appropriations records for all state agencies. Any release of cash and noncash assets deposited in the State Treasury must be approved by both the state agency involved and the Comptroller of Public Accounts.

Before issuing a warrant to pay a claim against the State of Texas, the Comptroller must determine that the statutory authority for the payment exists and has not expired and, if the warrant is to be drawn against a fund other than the General Revenue Fund, that there is a sufficient cash balance in the fund to make the payment.

A "cost center" designation links each revenue and expenditure transaction to a specific appropriation and fund, helping to insure that state agencies do not exceed the spending authority approved by the Legislature.

The Comptroller, by giving other state agencies direct access to some of the most important financial information in the system through computer terminal inquiry, will vastly improve the efficiency of state government. Computer inquiry will reduce paperwork and make it easier and faster for other agencies to find needed information.

Finally, a major project is currently underway to expand the accounting system to include recording and reporting capabilities in accordance with Generally Accepted Accounting Principles.

Cash Condition

Table 1 provides an overall picture of the state's cash condition for fiscal 1984. Receipts, disbursements and cash balances are shown for All Funds, as well as for Fund 1 and Funds 2-899. Funds 1-899 exclude suspense and trust funds, which are assigned numbers of 900 or greater.

The 1984 fiscal year began with an opening cash balance of $2.23 billion in Funds 1-899. Net revenue for the fiscal year totaled $14.92 billion.

Total net expenditures in 1984 came to $14.35 billion for Funds 1-899. Fiscal 1984 ended with a cash balance of $2.05 billion in Funds 1-899.

Looking at All Funds--including trust and suspense funds--the state began fiscal 1984 with an opening cash balance of $2.69 billion. Total net revenue from All Funds was $16.20 billion.

Net expenditures from All Funds were $14.94 billion. Other disbursements totaled $18.80 billion, resulting in an ending cash balance for fiscal 1984 for All Funds of $2.58 billion.

The ending cash balance is often misinterpreted, whether discussing All Funds or Funds 1-899. These figures are often incorrectly viewed as generally available. There are several reasons why this is not the case. First, several revenue sources are restricted. Examples include the interest and dividend earnings of the teacher and employee retirement accounts, as well as the state and employee contributions to these programs. Another example is the endowed oil and gas royalty income of the Permanent School and University Funds.

Second, since the state operates on a cash accounting basis, the presence of unrestricted dollars in a fund does not necessarily mean that they are unencumbered. Claims such as prior contractual commitments or existing spending authority may exist on such monies. On a cash basis system, these obligations are not recorded until actual payments are made.

A better indicator of the fiscal health of state government is the General Revenue Fund which had an opening cash balance of $1.01 billion on September 1, 1983. Net revenue for fiscal 1984 was $8.97 billion, composed primarily of sales, oil and gas production, and other taxes. Other receipts totaled -$2.11 billion, principally because interfund and departmental transfers now include transfers previously made from the Omnibus Tax Clearance Fund. Net expenditures from the General Revenue Fund were $4.99 billion. These consisted chiefly of salary and wage disbursements and Foundation School Program grants. Other net disbursements

TABLE 1
Statement Of Cash Condition[1]
Year Ended August 31, 1984

	General Revenue (001)		Special
FUND BALANCE - September 1, 1983			
Cash in State Treasury:	$1,006,129,511		$1,215,906,193
Cash in Petty Cash Accounts:	954,922	$1,007,084,433	2,320,360
NET REVENUE:			
Tax Collections	8,577,636,028		728,203,464
Federal Funding	56,265,905		3,059,438,378
Interest Income	106,970,757		755,969,721
Licenses and Fees	107,232,886		540,821,586
Land Income: Rents, Royalties & Sales	11,125,570		578,662,321
Other Net Revenue	115,045,363		284,577,401
TOTAL NET REVENUE		8,974,276,509	
OTHER SOURCES:			
Repayment of Loans	13,701		51,022,428
Bond Sale Proceeds	- 0 -		325,000,000
Sale/Redemption of Investments	- 0 -		3,696,175,139
School Bus Repayments	- 0 -		39,025,961
Deposits to Trust and Suspense	(26)		17,825,768
Transfers:			
Direct Deposit Transfers	- 0 -		- 0 -
Departmental Transfers	275,902,927		39,393,126
Operating Transfers	(2,462,834,936)		4,701,597,025
Residual Equity Transfers	77,012,805		(73,572,215)
TOTAL OTHER SOURCES		(2,109,905,529)	
TOTAL REVENUE AND OTHER SOURCES		6,864,370,980	
NET EXPENDITURES:			
Legislative	44,383,242		- 0 -
Judicial	45,430,490		82,741
Executive	191,066,413		181,696,902
Law Enforcement	84,472,694		75,719,539
Business Regulation	72,798,430		33,422,096
Health and Sanitation	173,262,302		37,466,065
Natural Resources	132,326,758		6,097,980
Highway Maintenance & Construction	521,394		1,437,194,433
Mental Health, State Homes & Corrections	839,649,941		24,427,170
Support to State & Local Education	2,145,950,281		4,551,563,469
Parks and Monuments	20,286,619		63,444,056
Welfare	93,294,084		2,222,415,935
Payment of Public Debt	67,741		167,779,705
Contributions to Employees Retirement	80,128,032		72,445,548
Contributions to Employees Social Security	252,763,861		109,061,111
Grants to Political Subdivisions & Others	215,261,503		366,433,868
Contributions to Teacher Retirement	587,124,596		847,423
Miscellaneous	15,499,660		4,531,112
TOTAL NET EXPENDITURES		4,994,288,041	
OTHER USES:			
Repayment of Loans	628,294		22,628,555
Purchase of Securities	- 0 -		4,648,734,855
Purchases for Resale	4,155,989		138,662,264
Miscellaneous Nongovernmental Expenditures	- 0 -		39,063,069
Trust and Suspense Payments	7,222		18,204,165
Teacher and Employees Retirement Payments	5,422,066		28,000
Transfers:			
Direct Deposit Transfers	- 0 -		- 0 -
Departmental Transfers	37,405,728		273,376,366
Operating Fund Transfers	2,087,129,293		157,568,866
Residual Equity Transfers	- 0 -		- 0 -
TOTAL OTHER USES		2,134,748,592	
TOTAL EXPENDITURES AND OTHER USES		7,129,036,633	
Petty Cash Accounts Opened		106,744	
Petty Cash Accounts Closed		(13,701)	
FUND BALANCE - August 31, 1984			
Cash in State Treasury	741,463,858		1,307,151,003
Cash in Petty Cash Accounts	1,047,965	$ 742,511,823[2]	2,516,283

[1]Note 2b.

[2]The General Revenue Fund balance on August 31, 1984 contained $74,357,411 of dedicated tax revenue that was transferred to other funds on September 1, 1984.

TABLE 1 (Continued)
Statement Of Cash Condition
Year Ended August 31, 1984

Revenue (2-899)	Trust and Suspense (900-999)		Total All Funds	
	$462,482,742		$2,684,518,446	
$1,218,226,553	16,700	$ 462,499,442	3,291,982	$ 2,687,810,428
	875		9,305,840,367	
	- 0 -		3,115,704,283	
	1,138,789,517		2,001,729,995	
	- 0 -		648,054,472	
	70,227		589,858,118	
	137,744,755		537,367,519	
5,947,672,871		1,276,605,374		16,198,554,754
	406,559,598		457,595,727	
	- 0 -		325,000,000	
	3,691,221,429		7,387,396,568	
	- 0 -		39,025,961	
	5,668,526,668		5,686,352,410	
	388,799,331		388,799,331	
	269,604		315,565,657	
	600,908,454		2,839,670,543	
	(3,314,269)		126,321	
8,796,467,232		10,752,970,815		17,439,532,518
14,744,140,103		12,029,576,189		33,638,087,272
	- 0 -		44,383,242	
	- 0 -		45,513,231	
	4,903,390		377,666,705	
	- 0 -		160,192,233	
	211,427		106,431,953	
	- 0 -		210,728,367	
	- 0 -		138,424,738	
	- 0 -		1,437,715,827	
	- 0 -		864,077,111	
	- 0 -		6,697,513,750	
	651,154		84,381,829	
	3,076		2,315,713,095	
	576,150,106		743,997,552	
	279,565		152,853,145	
	815,801		362,640,773	
	- 0 -		581,695,371	
	8,857,290		596,829,309	
	20,855		20,051,627	
9,354,629,153		591,892,664		14,940,809,858
	- 0 -		23,256,849	
	5,447,473,176		10,096,208,031	
	- 0 -		142,818,253	
	- 0 -		39,063,089	
	4,916,207,737		4,934,419,124	
	616,944,095		622,394,161	
	388,799,331		388,799,331	
	470,405		311,252,499	
	64,000		2,244,762,159	
	- 0 -		- 0 -	
5,298,266,140		11,369,958,744		18,802,973,476
14,652,895,293		11,961,851,408		33,743,783,334
216,928		- 0 -		323,672
(21,005)		- 0 -		(34,706)
	530,207,523		2,578,822,384	
$1,309,667,286	16,700	$ 530,224,223	3,580,948	$ 2,582,403,332

from General Revenue--the majority of which are operating fund and departmental transfers--totaled $2.13 billion. This resulted in an ending cash balance of $742 million.

Table 2 provides a summary of cash condition by fund group, giving added detail on the information shown in Table 1. The opening cash balance, revenue, expenditures and ending cash balance for each fund group are shown for fiscal 1984. The other receipts and disbursement amounts--interfund transfers, investment activity, and so on--are reflected in the revenue and expenditures totals, respectively.

Financial Condition

Table 3 provides a summary of the state's financial condition for the past five fiscal years. In addition to the state's cash balance, investments in the state treasury, securities held in trust and an account with the federal treasury for unemployment compensation are also presented.

Investment Accounts

Assets of investment accounts authorized by statute or the Constitution for several state funds totaled $21.34 billion at the end of fiscal 1984. While no part of these assets may be appropriated for state expenditure, there are specific provisions for the disposition of income from these investments. For example, income of the Permanent School Fund 044, which had assets of $4.46 billion on August 31, accrues to the Available School Fund 002 for support of public education. Income from the Permanent University Fund, which had investments totaling $2.08 billion, accrues to the Available University Fund 011 for the benefit of the University of Texas and Texas A&M University Systems.

Table 4 details Fund Investments by type and account balance at the end of fiscal 1984. Investments of education funds accounted for more than 76.2 percent of the total. The Teacher Retirement System Trust Fund Account 960 was the largest of these

TABLE 2
Summary of Cash Condition By Fund Group[1]

	Net Cash Balance 9-1-83	Revenue[2]	Expenditures[2]	Net Cash Balance 8-31-84
Group 1: General State Operating and Disbursing Funds	$1,410,188,580	$12,168,216,112	$12,444,935,185	$1,133,469,507
Group 2: Constitutional Funds Expendable for Specific Purposes	486,782,424	4,496,622,700	4,381,022,380	602,382,744
Group 3: Federal Funds	248,783,976	1,125,280,616	1,163,984,202	210,080,390
Group 4: Trust or Pledged Funds	2,221,893	43,245,971	43,281,602	2,186,262
Group 5: Constitutional Nonexpendable Funds	16,699,775	3,719,423,073	3,703,637,924	32,484,924
Group 6: Tax Clearance Funds	57,359,056	55,722,609	45,070,632	68,011,033
Group 7: Petty Cash Funds	3,291,982	323,672	34,706	3,580,948
Group 8: Trust Funds	288,585,040	11,754,545,112	11,734,806,329	308,323,823
Group 9: Suspense Funds	173,897,702	275,031,077	227,045,078	221,883,701
TOTAL CASH, ALL FUNDS	$2,687,810,428	$33,638,410,942	$33,743,818,038	$2,582,403,332

[1]Note 2b.
[2]Revenue and Expenditures include Interfund Transfers and Investment Transactions.

TABLE 3
Summary Of Financial Condition[1]
Year Ended August 31

	1980	1981	1982	1983	1984
Opening Cash Balance	$ 2,152,923,557	$ 1,951,465,873	$ 2,274,907,766	$ 2,862,550,808	$ 2,225,310,986
Net Revenue	10,660,887,954	12,735,320,296	13,438,478,232	13,575,347,790	14,921,949,380
Receipts to Petty Cash Accounts	445,747	485,037	824,846	701,216	323,672
Total Cash Available	12,814,257,258	14,687,271,206	15,714,210,844	16,438,599,814	17,147,584,038
Less:					
Net Expenditures	10,210,907,514	11,367,553,831	12,074,204,469	13,539,476,462	14,348,917,194
Net Interfund Transfers and Investment Transactions	651,834,740	1,044,712,409	777,396,773	673,545,991	746,453,029
Expenditures from Petty Cash Accounts	49,111	97,200	58,794	266,375	34,706
Closing Net Cash Balance	1,951,465,893	2,274,907,766	2,862,550,808	2,225,310,986	2,052,179,109
Investments in State Treasury	11,010,293,225	13,084,324,630	15,008,173,054	17,516,365,905	21,341,630,945
Total Cash and Investments	12,961,759,118	15,359,232,396	17,870,723,862	19,741,676,891	23,393,810,054
Suspense and Trust Cash	344,445,186	330,078,321	451,916,078	462,499,442	530,224,223
Securities in Trust with State Treasury	3,134,429,098	3,107,812,611	4,444,417,863	3,783,181,412	3,021,915,516
Account with Federal Treasury	336,958,064	255,226,692	146,854,923	0	0
Total All Cash, Investments and Securities	$16,777,591,466	$19,052,350,020	$22,913,912,726	$23,967,357,745	$26,945,949,793

[1]Note 2d.

investment accounts with a $9.66 billion balance at the end of fiscal 1984.

Table 5 summarizes the distribution of these investments according to 10 asset types and shows any increase or decrease in balances since the beginning of fiscal 1984.

Fifty-nine percent of all investments are in corporate obligations, which totaled $6.79 billion, and corporate stock, which totaled $5.86 billion for fiscal 1984. Corporate stock is investment in corporate equities, while corporate obligations are investments in corporate bonds, short-term credit or equipment trust certificates. By comparison, 60 percent of the $17.52 billion invested from state accounts at the end of fiscal 1983 were in these two asset types. Corporate stock value is recorded at cost, while other securities are recorded at par or face value.

Nearly 12 percent of total investments were in notes and other evidence of indebtedness, which includes mortgages, FNMA or GNMA paper, savings and loan

TABLE 4
Fund Investments By Type And Account Balance[1]
Year Ended August 31, 1984
(Amounts in Thousands)

	City, County & District Bonds	State Bonds	U.S. Government Securities	Notes & Other Evidence of Indebtedness	Corporate Obligations	Security Repurchase Agreements
ADMINISTRATIVE:						
Non-Cash Treasury Investment Accounting Fund 990	$ 0	$ 0	$ 147,811	$ 0	$ 0	$1,042,397
Real Estate Recovery Fund Account 971	0	0	200	2,230	0	0
Veterans Land Program	0	0	554,836	0	0	0
TOTAL, ADMINISTRATIVE	0	0	702,847	2,230	0	1,042,397
SERVICES:						
Permanent Blind Institute Fund 048	0	0	205	0	0	0
Permanent Deaf and Dumb Institute Fund 049	0	0	199	0	0	0
Permanent Lunatic Asylum Fund 050	0	0	179	0	0	0
Permanent Orphans Home Fund 051	0	0	86	0	0	0
TOTAL, SERVICES	0	0	669	0	0	0
IMPROVEMENTS:						
General Revenue Fund 001	0	0	0	0	0	0
Texas Conservation Foundation Gifts Fund 349	0	0	55	0	0	0
Water Development Clearance Fund 350	0	0	0	0	0	0
Water Development Fund 351	280,441	0	51,645	0	0	0
Water Development Bond Interest and Sinking Fund 352	0	0	30,000	0	0	0
Texas Park Development Fund 408	0	0	3,932	0	0	0
Texas Park Development Bonds Interest and Sinking Fund 409	0	0	4,431	0	0	0
Rural Industrial Development Fund 425	0	0	0	477	0	0
Farm and Ranch Loan Security Fund 474	7,025	1,000	0	787	0	0
Water Assistance Fund 480	0	0	41,140	0	0	0
Water Loan Assistance Fund 481	14,750	0	0	0	0	0
Varner Hogg State Park Account 941	0	0	0	149	0	0
TOTAL, IMPROVEMENTS	302,216	1,000	131,203	1,413	0	0
EDUCATION:						
Available School Fund 002	346	0	0	0	0	0
Permanent School Fund 044	0	0	1,386,982	116,421	1,277,002	0
Permanent University Fund 045	0	0	350,740	337,972	737,306	0
Endowment Fund, Medical Branch of the University of Texas 046	0	0	0	0	10	0
Texas A&M University Mineral Investment Fund 095	0	0	11,056	0	0	0
Texas A&M University Mineral Income Fund 096	0	0	3,766	0	0	0
Texas Opportunity Plan Fund 387	0	0	23,995	0	0	0
Texas College Student Loan Bond Interest and Sinking Fund 388	0	0	36,205	0	0	0
Teacher Retirement System Trust Fund Account 960	0	0	2,237,549	1,617,207	3,617,486	0
TOTAL, EDUCATION	346	0	4,050,293	2,071,600	5,631,804	0
OTHER:						
State Conservator Trust Account 948	0	0	0	0	0	0
S.E.R.S. Interest Account 954	0	0	0	0	0	0
S.E.R.S. Investment Account 955	0	0	870,105	361,611	1,109,609	0
Deferred Compensation Account 970	0	0	0	66,367	0	0
Employees Life, Accident and Health Insurance and Benefits Fund Account 973	0	0	0	0	47,210	0
Fire Fighters' Relief and Retirement Fund 976	0	0	0	3,498	0	0
Law Enforcement and Custodial Officer Supplement Retirement Fund 977	0	0	22,923	27,916	935	0
TOTAL, OTHER	0	0	893,028	459,392	1,157,754	0
GRAND TOTAL	$302,562	$1,000	$5,778,040	$2,534,635	$6,789,558	$1,042,397

[1]Note 2d.

TABLE 4 (Continued)
Funds Investments By Type And Account Balance[1]
Year Ended August 31, 1984
(Amounts in Thousands)

Corporate Stock	Loans to Political Subdivisions	Discount on Investments	Premium on Investments	Net Total	
					ADMINISTRATIVE:
$ 0	$ 0	$ 0	$ 0	$ 1,190,208	Non-Cash Treasury Investment Accounting Fund 990
0	0	-90	25	2,365	Real Estate Recovery Fund Account 971
0	0	-11,054	9,028	552,810	Veterans Land Program
0	0	-11,144	9,053	1,745,383	TOTAL, ADMINISTRATIVE
					SERVICES:
0	0	-22	0	183	Permanent Blind Institute Fund 048
0	0	-17	0	182	Permanent Deaf and Dumb Institute Fund 049
0	0	-19	0	160	Permanent Lunatic Asylum Fund 050
0	0	-7	0	79	Permanent Orphans Home Fund 051
0	0	-65	0	604	TOTAL, SERVICES
					IMPROVEMENTS:
0	1,000	0	0	1,000	General Revenue Fund 001
0	0	-1	0	54	Texas Conservation Foundation Gifts Fund 349
0	987	0	0	987	Water Development Clearance Fund 350
0	0	-3,357	0	328,729	Water Development Fund 351
0	0	-1,319	0	28,681	Water Development Bond Interest and Sinking Fund 352
0	0	-10	46	3,968	Texas Park Development Fund 408
0	0	-131	34	4,334	Texas Park Development Bonds Interest and Sinking Fund 409
0	474	0	0	951	Rural Industrial Development Fund 425
0	0	-1,164	0	7,648	Farm and Ranch Loan Security Fund 474
0	0	-1,102	0	40,038	Water Assistance Fund 480
0	156	0	0	14,906	Water Loan Assistance Fund 481
4	0	0	0	153	Varner Hogg State Park Account 941
4	2,617	-7,084	80	431,449	TOTAL, IMPROVEMENTS
					EDUCATION:
0	0	0	0	346	Available School Fund 002
1,691,282	0	-8,993	956	4,463,650	Permanent School Fund 044
704,879	0	-54,679	392	2,076,610	Permanent University Fund 045
0	0	-2	0	8	Endowment Fund, Medical Branch of the University of Texas 046
0	0	-886	471	10,641	Texas A&M University Mineral Investment Fund 095
0	0	-141	14	3,639	Texas A&M University Mineral Income Fund 096
0	0	-1,388	0	22,607	Texas Opportunity Plan Fund 387
0	0	-1,851	0	34,354	Texas College Student Loan Bond Interest and Sinking Fund 388
2,985,417	0	-824,317	22,335	9,655,677	Teacher Retirement System Trust Fund Account 960
5,381,578	0	-892,257	24,168	16,267,532	TOTAL, EDUCATION
					OTHER:
0	0	0	0	0	State Conservator Trust Account 948
0	0	0	0	0	S.E.R.S. Interest Account 954
474,609	0	-126,423	40,282	2,729,793	S.E.R.S. Investment Account 955
0	0	0	0	66,367	Deferred Compensation Account 970
0	0	0	0	47,210	Employees Life, Accident and Health Insurance and Benefits Fund Account 973
0	0	0	0	3,498	Fire Fighters' Relief and Retirement Fund 976
0	0	-2,324	347	49,797	Law Enforcement and Custodial Officer Supplement Retirement Fund 977
474,609	0	-128,747	40,629	2,896,665	TOTAL, OTHER
$5,856,191	$2,617	$-1,039,297	$73,930	$21,341,633	GRAND TOTAL

accounts or certificates of deposit. State funds totaling $5.78 billion were invested in U.S. Government Securities, which are various types of interest-bearing paper issued by the U.S. Treasury. These investments represented 27 percent of the total. Investments in bonds issued by the state totaled $1 million, while investments in city, county and district bonds totaled $302.6 million. Investments and the effects of discounts and premiums are summarized in Table 5.

The discount on investments, which is the difference between par value of bond investments and the principal cost where par value exceeds principal cost, reduced the value of the investments of state funds by $1.04 billion. The premium on state investments increased the total assets by $73.9 million. This premium represents the difference between the face value of bond investments and principal costs where principal cost exceeds face value.

Table 6 details the percentage of funds invested in each asset type for six major accounts. The Teacher Retirement System Trust Fund has 85.1 percent of its total $9.65 billion in investments in corporate stocks, obligations or notes and other evidence of indebtedness. Ninety percent of the $2.73 billion invested by the State Employees Retirement System is in corporate stocks, corporate obligations or U.S. Government Securities. The Permanent School Fund account has 66.5 percent of investments totaling $4.46 billion in corporate stocks and obligations, while the Permanent University Fund has 69.5 percent of $2.07 billion in assets in those two investment

TABLE 5
Summary Of Investments, All Funds[1]
Year Ended August 31, 1984

TYPE	Balance 9-1-83	Increase (Decrease)	Balance 8-31-84
City, County and District Bonds	$ 295,261,778	$ 7,300,000	$ 302,561,778
State Bonds	5,308,000	(4,308,000)	1,000,000
U.S. Government Securities	3,582,453,456	2,195,586,516	5,778,039,972
Notes and Other Evidence of Indebtedness	3,408,145,698	(873,510,880)	2,534,634,818
Security Repurchase Agreements	0	1,042,397,000	1,042,397,000
Corporate Obligations	4,989,877,585	1,799,680,659	6,789,558,244
Corporate Stock	5,542,891,842	313,298,493	5,856,190,335
Loans to Political Subdivisions[2]	2,838,473	(221,474)	2,616,999
Discount on Investments	(382,785,586)	(656,512,252)	(1,039,297,838)
Premium on Investments	73,589,796	339,841	73,929,637
TOTAL NET INVESTMENTS	$17,517,581,042	$3,824,049,903	$21,341,630,945

[1]Note 2d.
[2]Balance for beginning of fiscal year 1984 does not match closing balance for fiscal year 1983 because Water Rights Contracts were previously not included in the table.

TABLE 6
Asset Distribution Of Major Investment Funds[1]
Year Ended August 31, 1984
(Amounts in Thousands)

TYPE	Teacher Retirement System Fund 960	State Employees Retirement Fund 955	Permanent School Fund Fund 044	Permanent University Fund Fund 045	Water Development Fund Fund 351	Veterans Fund Program
City, County and District Bonds					85.3%	
State Bonds						
U.S. Government Securities[2]	23.2%	31.9%	31.0%	16.8%	15.7	100.3%[1]
Notes and Other Evidence of Indebtedness	16.7	13.2	2.6	16.2		
Corporate Obligations	37.5	40.6	28.6	35.5		
Security Repurchase Agreements						
Corporate Stock	30.9	17.4	37.9	34.0		
Loans to Political Subdivisions						
Discount on Investments	-8.5	-4.6	-0.2	-2.6	-1.0	-1.9
Premium on Investments	0.2	1.5	0.1	0.1		1.6
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
FUND BALANCE	$9,655,677	$2,729,793	$4,463,650	$2,076,610	$328,729	$552,810

[1]Note 2d.
[2]Because the amount invested in U.S. Government Securities ($554.8 million) was greater than the ending fund balance, the percentage reflected is greater than 100%.

types. The Water Development Fund has 85.3 percent invested in city, county and district bonds, while the assets of the Veterans Land Program, which are used to purchase land and service bonded debt, are invested in U.S. Government Securities.

The 1983 Legislature authorized the State Treasurer to invest in security repurchase agreements and United States treasury bills. At August 31, 1984, $1.04 billion of the amount included as cash in the State Treasury was invested.

Bonded Indebtedness

Debt on general obligation bonds and Permanent University Fund Bonds increased by $356.7 million during fiscal 1984, leaving an outstanding balance of $1.7 billion. This does not include revenue bonds issued by state institutions of higher learning or the Department of Water Resources contract with the U.S. Bureau of Reclamation.

Table 7 presents the amount of each category of state bonds outstanding on August 31, 1984, and the retirements which occurred during fiscal 1984.

General Obligation Bonds

The Constitution authorizes the issuance of six types of general obligation bonds which pledge the full faith and credit of the state. General obligation bonds represented 76 percent of the total bonds issued.

Veterans Land Bonds, authorized by the Constitution under Article III, Section 49b, totaled $642.2 million, an 8.2 percent increase from the previous fiscal year. Bond proceeds are used to purchase land for resale to qualified Texas veterans under the Veterans Land Program. Receipts from land sales are pledged to the payment of principal and interest on the outstanding bonds and have been sufficient to meet all debt service requirements.

Veterans Housing Assistance Bonds in the amount of $250 million were issued for the first time in fiscal 1984. Bond proceeds are used to provide loans to qualified Texas veterans for the purpose of purchasing a home.

TABLE 7
State Of Bonded Indebtedness[1]
Year Ended August 31, 1984

GENERAL OBLIGATION BONDS:	Outstanding 9-1-83	Retired	New Issues	Outstanding 8-31-84	Increase (Decrease)
Veterans Land Bonds[2]	$ 593,735,000	$26,439,000	$325,000,000	$ 892,296,000	$298,561,000
Water Development Bonds	265,230,000	14,040,000	0	251,190,000	(14,040,000)
Park Development Bonds	5,950,000	1,100,000	0	4,850,000	(1,100,000)
College Student Loan Bonds	140,165,000	7,840,000	0	132,325,000	(7,840,000)
Farm and Ranch Loan Security Bonds	10,000,000	0	0	10,000,000	0
Total, General Obligation Bonds	1,015,080,000	49,419,000	325,000,000	1,290,661,000	275,581,000
Permanent University Fund Bonds:					
Texas A&M University	105,565,000	7,695,000	38,000,000	135,870,000	30,305,000
University of Texas	221,955,000	16,220,000	67,000,000	272,735,000	50,780,000
Total, Permanent University Fund Bonds	327,520,000	23,915,000	105,000,000	408,605,000	81,085,000
Total, All Bonds	$1,342,600,000	$73,334,000	$430,000,000	$1,699,266,000	$356,666,000

[1]Note 2e and Note 6.
[2]Includes information for both Veterans Land Bonds and Veterans Housing Assistance Bonds.

Veterans Land Bonds and Veterans Housing Assistance Bonds are grouped together in Tables 7 and 9 and totaled $892.2 million.

Water Development Bonds, authorized by Article III, Sections 49c and d, totaled $251.2 million, a $14 million decrease from the last fiscal year. Bond proceeds provide capital for loans to various Texas governmental subdivisions for approved water and sewer projects and to purchase interest in water storage facilities. Repayment of loan principal and interest is pledged to payment of outstanding bonds and interest.

Park Development Bonds are authorized by the Constitution in Article III, Section 49e. This bond debt totaled $4.9 million, a 19 percent reduction from fiscal 1983. Bond proceeds are used to acquire land for state park sites and to develop such sites. Park entrance fees and investment income are used to retire outstanding bonds and make interest payments.

College Student Loan Bonds, authorized by the Constitution in Article III, Section 50b-1, showed an outstanding balance of $132.3 million, a $7.8 million reduction from the debt at the end of fiscal 1983. Bond proceeds are used to make education loans to eligible Texas college students. Repayments of student loans are pledged to payment of outstanding debt and have been sufficient to meet debt service requirements.

Farm and Ranch Loan Security Bond debt totaled $10 million, the same amount as at the end of fiscal 1983. Bond proceeds are used to guarantee loans for the purchase of farm and ranch real estate, for acquiring real estate mortgages and deeds of trust on lands purchased with guaranteed loans and to advance to borrowers a percentage of the principal and interest due on loans. These bonds are authorized by the Constitution, in Article III, Section 506.1.

A constitutional amendment is required to increase the amount of authorization for the above bonds. As of August 31, 1984, the following bonds were authorized and unissued:

Veterans Land Bonds	$375,000,000
Veterans Housing Bonds	250,000,000
Water Development Bonds	168,670,000[1]
College Student Loan Bonds	79,500,000
Park Development Bonds	59,250,000
Farm and Ranch Loan Security Bonds	0
TOTAL	$932,420,000

TABLE 8
Summary Of Net Revenue
Available For General Obligation Debt Service
All Funds
Year Ended August 31, 1984

Receipt Type	Total Revenue	Revenue of Constitutional and Federal Funds	Balance Available for Debt Service
Tax Collections	$9,305,840,367	$1,370,278,534	$7,935,561,833
Business/Professional Fees	82,431,276	568,289	81,862,987
Noncommercial Permits & Fees	480,528,581	328,875,810	151,652,771
Violations, Fines & Penalties	46,218,757	283,481	45,935,276
State Service Fees	125,785,095	-217,492	126,002,587
Sales, Rentals & Repayments of Goods & Services	115,354,915	62,488,501	52,866,414
Donations & Grants	4,497,219	685	4,496,534
Transfers	3,271,052,195	3,271,052,195	0
Interagency Sales of Goods & Services	273,109,657	273,109,657	0
Investment Transactions	7,802,458,658	7,802,458,658	0
Federal Receipts	3,114,983,206	3,114,983,206	0
Interest/Dividends	2,303,006,007	908,551,160	1,394,454,847
Land Income	559,903,948	550,145,041	9,758,907
Other Receipts	60,005,383	7,277,033	52,728,350
Trust Receipts	6,092,912,008	6,092,912,008	0
TOTAL NET REVENUE AND INTERFUND TRANSFERS	$33,638,087,272	$23,782,766,766	$9,855,320,506

These bonds are general obligations of Texas. Should income from the various programs for which these bonds are issued be insufficient to pay bond principal and interest, the Legislature is required by the Constitution to appropriate the necessary amounts to meet outstanding debt service requirements from the net revenue of the state not otherwise appropriated by the Constitution. Table 8 shows $9.85 billion in state revenue which was available for this purpose for the year ending August 31, 19[illegible]. Table 9 outlines bond debt service requirements through fiscal 2015.

Permanent University Fund Bonds

Debt on Permanent University Fund bonds totaled $408.6 million at the end of fiscal 1984, representing a

TABLE 9
Bond Debt Service Requirements[1]

Fiscal Year	Veterans Land Bonds[2]	Water Development Bonds[3]	Park Development Bonds	College Student Loan Bonds	Farm & Ranch Loan Security Bonds
1985	$ 97,069,093	$ 27,309,305	$1,337,000	$ 15,170,191	$ 900,000
1986	99,562,244	26,773,405	1,337,050	14,939,907	900,000
1987	98,339,441	26,317,955	1,333,750	14,770,220	900,000
1988	104,164,894	26,011,905	1,278,125	14,547,884	900,000
1989	98,230,029	25,894,925		14,419,026	900,000
1990	94,021,039	25,692,025		14,203,468	900,000
1991	107,418,853	25,539,005		14,043,068	900,000
1992	109,954,227	24,990,565		13,856,706	900,000
1993	101,418,150	25,225,455		13,692,693	900,000
1994	98,225,912	25,428,225		13,574,648	900,000
1995	86,730,663	24,948,200		13,436,656	900,000
1996	71,337,437	25,238,250		9,506,104	10,450,000
1997	50,638,325	21,788,500		8,781,801	
1998	85,894,000	20,667,500		7,603,794	
1999	43,786,600	12,057,500			
2000	42,946,600				
2001	34,925,225				
2002	27,020,163				
2003	19,175,950				
2004	9,549,075				
2005	714,600				
2006	714,600				
2007	714,600				
2008	714,600				
2009	15,714,600				
2010	5,114,600				
2011	19,312,100				
2012	102,500				
2013	102,500				
2014	5,102,500				
2015	5,002,500				
2020	15,515,500				
TOTALS	$1,549,233,120	$363,882,720	$5,285,925	$182,546,166	$20,350,000

[1]Note 2e and Note 6.
[2]Includes Veterans Housing Assistance bonds.
[3]Figures do not reflect $50 million issue of Water Development Series 1984A and 1984B bonds delivered in September 1984.

24.8 percent increase from the debt the preceding year.

The Constitution, in Article VII, Section 18, authorizes the issuance of bonds to be used for constructing, equipping or acquiring buildings and other permanent improvements for the University of Texas and Texas A&M University Systems. Debt service requirements are payable from income of the Permanent University Fund, in which the University of Texas System has two-thirds interest and the Texas A&M University System has one-third interest. The total amount of such bonds outstanding may not exceed 20 percent of the value of the Permanent University Fund, exclusive of real estate.

TABLE 9 (Continued)
Bond Debt Service Requirements[1]

Total General Obligation Bonds	Permanent University Fund Bonds A&M System	Permanent University Fund Bonds UT System	Total Permanent University Fund Bonds	Grand Total Requirements All Bonds	Fiscal Year
$ 141,785,589	$ 18,704,790	$ 38,129,815	$ 56,834,605	$ 198,620,194	1985
143,512,606	18,300,790	36,939,235	55,240,025	198,752,631	1986
141,661,366	17,912,540	35,500,633	53,413,173	195,074,539	1987
146,902,808	16,771,528	33,787,575	50,559,103	197,461,911	1988
139,443,980	16,186,915	32,062,395	48,249,310	187,693,290	1989
134,816,532	15,433,299	30,765,237	46,198,536	181,015,068	1990
147,900,926	14,708,827	29,495,620	44,204,447	192,105,373	1991
149,701,498	13,979,396	28,036,608	42,016,004	191,717,502	1992
141,236,298	13,239,815	26,618,877	39,858,692	181,094,990	1993
138,128,785	12,511,975	25,114,460	37,626,435	175,755,220	1994
126,015,519	11,757,830	23,701,543	35,459,373	161,474,892	1995
116,531,791	10,874,095	22,008,930	32,883,025	149,414,816	1996
81,208,626	9,990,385	20,234,750	30,225,135	111,433,761	1997
114,165,294	8,945,625	18,141,705	27,087,330	141,252,624	1998
55,844,100	7,865,168	16,060,702	23,925,870	79,769,970	1999
42,946,600	6,869,965	13,939,670	20,809,635	63,756,235	2000
34,925,225	5,758,575	11,578,500	17,337,075	52,262,300	2001
27,020,163	4,169,325	8,227,050	12,396,375	39,416,538	2002
19,175,950	2,544,150	4,510,500	7,054,650	26,230,600	2003
9,549,075	1,107,975	2,215,950	3,323,925	12,873,000	2004
714,600				714,600	2005
714,600				714,600	2006
714,600				714,600	2007
714,600				714,600	2008
15,714,600				15,714,600	2009
5,114,600				5,114,600	2010
19,312,100				19,312,100	2011
102,500				102,500	2012
102,500				102,500	2013
5,102,500				5,102,500	2014
5,002,500				5,002,500	2015
15,515,500				15,515,500	2020
$2,121,297,931	$227,632,968	$457,069,755	$684,702,723	$2,806,000,654	TOTALS

Securities Deposited In Trust With The State Treasurer

Table 10 shows Texas state funds on deposit in banks are secured by pledged collateral held by the State Treasurer. The securities pledged as collateral must be approved by the State Depository Board, consisting of the State Treasurer, the Comptroller of Public Accounts, the State Banking Commissioner and a citizen member appointed by the Governor. The remaining trust accounts hold securities deposited into the State Treasury for various purposes as required by law.

TABLE 10
Securities Deposited In Trust With The State Treasurer
Year Ended August 31, 1984

Trust Account		Balance 9-1-83	Increase (Decrease)	Balance 8-31-84
476	Radiation and Perpetual Care	$ 23,508,280	$ 14,601,000	$ 38,109,280
904	Motor Fuel Distributors Bond Guaranty Account	35,000	(2,000)	33,000
906	Dissolution of Solvent Corporations Account	78,700	(9,700)	69,000
907	Settlement of Estates Account	59,265	(59,265)	- 0 -
908	Bond and Investment Companies Account	215,000	0	215,000
910	Time Depository Bonds Guaranty Account	3,450,637,000	(809,799,000)	2,640,838,000
912	Higher Education Depository Guaranty Account	73,615,000	4,687,000	78,302,000
915	Agencies and Boards Depository Guaranty Trust Account	1,140,000	1,750,000	2,890,000
916	Building and Loan Associations Company Account	100,000	(100,000)	- 0 -
917	Fiduciary Companies Account	1,135,000	5,000	1,140,000
919	Mutual Assessment Insurance Companies Account	174,200	(12,600)	161,600
921	Life, Health, Accident and Casualty Insurance Companies Account	226,706,650	8,075,168	234,781,818
924	County Mutual Insurance Companies Account	1,026,500	25,000	1,051,500
925	Texas Employment Commission Depository Bonds Guaranty Account	2,690,000	18,375,000	21,065,000
933	Insurance Recording Agent Account	150,000	50,000	200,000
936	Unemployment Compensation Clearance Account	41	8	49
940	Motor Vehicle Proof Of Responsibility Account	86,550	93,280	179,830
948	State Conservator Trust Account	0	405,334	405,334
949	Automobile Service Club Account	207,461	(20,212)	187,249
956	Cigar and Tobacco Products Bond Account	39,000	2,440	41,440
958	Escheat Expense and Reimbursement Trust Account	996,920	(162,210)	834,710
962	Sales Tax Guaranty Account	29,896	(7,853)	22,043
982	Health Maintenance Organization Account	550,949	837,714	1,388,663
	TOTAL SECURITIES	$3,783,181,412	($761,265,896)	$3,021,915,516

Departmental Suspense Funds

Table 11 details the beginning cash balances, fiscal 1984 activity and ending cash balances for the state's departmental suspense funds.

Suspense funds serve as accounts which hold state receipts temporarily, pending their final disposition. An example is the receipt of a check or cash without a tax return or any documentation to indicate the purpose of the payment and, therefore, the state fund into which the money should be deposited. Another function of suspense funds is to hold tax payments made under protest until court or other actions determine whether the money should be deposited in a state fund or returned to the taxpayer. Monies held in suspense funds are not available for appropriation by the Legislature.

TABLE 11
Transactions Of Departmental Suspense Funds
Fund 900
Year Ended August 31, 1984

Fund/Department		Cash Balance 9-1-83	Net Increase (Decrease)	Cash Balance 8-31-84
101	Senate	$ 214	$ 0	$ 214
102	House of Representatives	125	75	200
212	Office of Court Administration	7,195	1,005	8,200
228	Court of Appeals--Eighth Supreme Judicial Court	100	586	686
243	State Law Library	434	(434)	0
301	Executive Office - Governor	17,077,038	(17,071,734)	5,304
302	Attorney General	173,826	330,046	503,872
303	State Purchasing and General Services Commission	341,631	(176,312)	165,319
304	Comptroller of Public Accounts	42,746,198	3,665,890	46,412,088
305	General Land Office	10,289,744	(5,257,061)	5,032,683
307	Secretary of State	220	2,280	2,500
310	Treasury Department	21,813,710	13,916,302	35,730,012
312	Securities Board	2,529,265	(2,529,265)	0
318	Commission for the Blind	13,851	(13,426)	425
322	Texas Employment Commission	168	(168)	0
324	Department of Human Resources	1,783,151	926,631	2,709,782
327	Employees Retirement System	199,396	(184,998)	14,398
329	Real Estate Commission	484,634	(227,886)	256,748
330	Texas Rehabilitation Commission	4,075	3,648	7,723
332	Texas Department of Community Affairs	0	439,154	439,154
336	State Property Tax Board	971	666	1,637
337	Board of Tax Professional Examiners	4,284	25,381	29,665
344	Commission on Human Rights	0	1,445	1,445
405	Department of Public Safety	1,193	(113)	1,080
452	Texas Department of Labor and Standards	415,731	(4,576)	411,155
454	Board of Insurance	63,451,774	46,461,084	109,912,858
455	Railroad Commission	3,923,976	8,072,863	11,996,839
456	Board of Plumbing Examiners	15,220	21,565	36,785
457	Board of Public Accountancy	105,356	(105,356)	0
458	Alcoholic Beverage Commission	2,716,944	82,555	2,799,499
459	Board of Architectural Examiners	545	318	863

TABLE 11 (Continued)
Transactions Of Departmental Suspense Funds
Fund 900
Year Ended August 31, 1984

Fund/Department		Cash Balance 9-1-83	Net Increase (Decrease)	Cash Balance 8-31-84
460	Board of Registration for Professional Engineers	$ 22,224	$ 51,416	$ 73,640
467	Board of Private Investigators and Private Security Agencies	79,677	(79,162)	515
471	Texas Amusement Machine Commission	36,197	(4,717)	31,480
472	Texas Structural Pest Control Board	59,673	(12,713)	46,960
473	Public Utilities Commission	155	(100)	55
501	Texas Department of Health	72,035	(64,832)	7,203
504	Board of Dental Examiners	18,000	(950)	17,050
507	Board of Nurse Examiners	54	(9)	45
508	Board of Chiropractic Examiners	725	11,750	12,475
513	Board of Morticians	13,459	(5,303)	8,156
514	Optometry Board	0	10	10
517	Texas Commission on Alcoholism	456	0	456
519	Air Control Board	50	460	510
522	Board of Physical Therapy Examiners	100	(100)	0
550	Texas Energy & Natural Resources Advisory Council	822,108	(822,108)	0
551	Department of Agriculture	332,101	223,227	555,328
581	Water Well Drillers Board	69,426	(69,426)	0
582	Department of Water Resources	121,203	64,386	185,589
601	State Department of Highways and Public Transportation	169	795,484	795,653
658	Beaumont State Center for Human Development	1,029	(1,029)	0
659	Rio Grande State Center For Mental Health and Mental Retardation	193	(193)	0
677	Austin State Hospital	2,181	(2,181)	0
678	Austin State School	0	0	0
681	San Antonio State Hospital	26	(26)	0
690	West Texas Children's Home	180	(180)	0
698	Texas Adult Probation Commission	7,109	(7,109)	0
701	Texas Education Agency	364,981	314,050	679,031
720	University of Texas System	0	38,830	38,830
754	Southwest Texas State University	149,283	(4,167)	145,116
781	Coordinating Board, Texas College and University System	92,920	307,466	400,386
802	Parks and Wildlife Department	3,400,030	(1,112,639)	2,287,391
808	Texas Historical Commission	130,989	(16,997)	113,992
809	State Preservation Board	0	446	446
902	Comptroller-State Fiscal	0	2,250	2,250
	TOTAL	$173,897,702	$47,985,999	$221,883,701

Petty, Travel And Imprest Cash Advance Funds

Table 12 presents transactions of petty, travel and imprest cash advance funds.

A petty cash fund is a subaccount of the fund from which an expenditure would be paid through the state voucher payment process and is reimbursed from the respective appropriation for which the expenditure is made. A petty cash fund may be held in cash or in an account at a local bank.

The Legislature may authorize a state agency to establish a petty cash or revolving fund when the

TABLE 12
Petty, Travel and Imprest Cash Advance Funds
Balance On August 31, 1984

Fund/Department	Petty Cash	Travel Cash	Imprest Cash
GENERAL REVENUE FUND 001:			
103 Texas Legislative Council	$ 100	$ 4,000	$ 0
105 Legislative Reference Library	500	0	0
116 Sunset Advisory Commission	0	2,000	0
201 Supreme Court	0	1,000	0
212 Office of Court Administration	0	2,000	0
302 Attorney General	500	5,000	1,000
303 State Purchasing and General Services Commission	1,500	7,500	0
305 General Land Office	0	15,000	0
306 State Library and Archives Commission	500	4,500	0
307 Secretary of State	200	6,500	0
310 Treasury Department	500	0	0
313 Automated Information Systems Advisory Council	0	500	0
332 Department of Community Affairs	0	11,000	0
333 Office of State-Federal Relations	400	0	0
335 Commission for the Deaf	0	2,000	0
336 State Property Tax Board	200	4,500	0
338 State Pension Review Board	0	55	0
341 Texas Merit System Council	100	2,000	0
409 Commission on Jail Standards	25	0	0
452 Texas Department of Labor and Standards	101	0	0
453 Industrial Accident Board	500	4,750	0
455 Railroad Commission	550	0	0
461 Texas Aeronautics Commission	150	4,700	0
465 Texas Economic Development Commission	500	9,000	0
473 Public Utilities Commission	50	18,700	0
501 Texas Department of Health	3,000	0	0
509 Board of Examiners - Fitting and Dispensing of Hearing Aids	0	0	0
513 Board of Morticians	75	0	0
519 Air Control Board	25	0	0
521 Governor's Commission on Physical Fitness	500	0	0
522 Board of Physical Therapy Examiners	200	0	0
525 Health Facilities Commission	50	0	0
550 Texas Energy and Natural Resources Advisory Council	0	0	0
551 Department of Agriculture	500	25,000	0
554 Texas Animal Health Commission	0	3,000	0
582 Department of Water Resources	500	5,000	0
585 Texas Coastal and Marine Council	0	3,000	0
596 Red River Compact Commission	0	500	0
650 San Antonio State School	6,000	2,583	0
651 Corsicana State Home	3,000	2,000	0
654 Brownwood State School	3,000	3,000	0
655 Department of Mental Health and Mental Retardation	0	12,000	0
656 Vernon State Hospital	5,500	0	2,000
657 Amarillo State Center	3,100	3,300	14,000
658 Beaumont State Center	500	2,700	13,000
659 Rio Grande State Center	2,000	4,500	0
660 Denton State School	6,000	8,000	13,000
661 El Paso State Center	700	3,500	0

need exists to have cash or local funds for payment of certain expenses. Such authorizations are contained in the appropriations bill and detail the maximum amount of each fund as well as the purposes for which expenditures may be made from the fund. For example, various agencies of higher education are authorized to establish revolving funds for payment of nominal expenses, to pay bills within cash discount periods and for payrolls. These petty cash funds have no limit, but voucher claims for reimbursement of petty cash expenditures must be made at least monthly to prevent these revolving funds from becoming too large.

An increase in a petty cash fund represents an expenditure from the State Treasury, while a decrease in a petty cash fund represents a receipt.

TABLE 12 (Continued)
Petty, Travel and Imprest Cash Advance Funds
Balance On August 31, 1984

Fund/Department		Petty Cash	Travel Cash	Imprest Cash
663	Commission for Indian Affairs	$ 175	$ 0	$ 0
667	Fort Worth State School	6,000	5,000	0
668	Richmond State School	6,000	1,200	0
669	Lufkin State School	1,000	2,000	0
670	Corpus Christi State School	600	4,000	3,025
671	San Angelo State School	2,100	0	0
672	Mexia State School	1,500	5,000	0
673	San Antonio State Chest Hospital	1,000	0	0
674	Kerrville State Hospital	1,000	4,500	0
675	Travis State School	5,000	2,000	7,500
676	Abilene State School	620	4,875	6,250
677	Austin State Hospital	5,000	0	7,000
678	Austin State School	1,000	1,800	8,000
679	Rusk State Hospital	6,000	5,000	3,000
680	Waco Center for Youth	1,000	1,000	0
681	San Antonio State Hospital	6,000	9,000	0
682	Terrell State Hospital	16,000	7,800	2,000
683	Wichita Falls State Hospital	950	5,500	0
684	South Texas Hospital	250	0	0
685	Texas Research Institute of Mental Sciences	600	11,100	0
686	Big Spring State Hospital	6,000	6,000	0
687	Lubbock State School	6,000	1,800	0
688	Brenham State School	2,500	0	8,025
689	Giddings State Home and School	3,000	4,000	0
690	West Texas Children's Home	3,000	3,000	0
692	Gainesville State School	3,000	4,000	0
693	Crockett State School	3,000	3,000	0
694	Texas Youth Council	7,900	11,000	0
696	Department of Corrections	202,500	50,000	0
697	Board of Pardons and Paroles	500	0	0
699	Laredo State Center	1,250	5,000	0
739	Texas Tech University Health Science Center	60,000	0	0
750	University of Texas at Tyler	30,225	7,500	0
751	East Texas State University	0	33,000	0
752	North Texas State University	0	0	0
764	East Texas State University	5,000	5,000	0
767	Southwest Collegiate Institute for the Deaf	0	2,500	0
771	School for the Blind	1,060	5,000	0
772	School for the Deaf	1,400	3,700	0
781	Coordinating Board, Texas College and University System	60	0	0
785	University of Texas Health Center at Tyler	110,500	0	0
802	Parks and Wildlife Department	0	2,920	0
808	Texas Historical Commission	50	3,000	0
813	Texas Commission on the Arts	0	3,000	0
817	Texas Sesquicentennial Commission	0	3,666	0
904	Natural Fibers and Food Protein Commission	0	750	0
	TOTAL, GENERAL REVENUE FUND	$ 549,766	$ 410,399	$ 87,800

Table 12 also shows transactions and balances of the state's travel cash advance funds. In 1975 the Legislature authorized all state agencies to establish revolving petty cash funds for the purpose of advancing travel expenses to employees. Cash is transferred from the appropriate account in the State Treasury to a separate local bank account for use by the state agency.

Reimbursement of a travel cash advance fund is accomplished by submission of travel vouchers payable to the account, rather than to the employee.

Imprest Cash Funds show public monies held outside the State Treasury as petty cash after the effective date of the State Funds Reform Act of 1981. Passed by the 67th Legislature, the Act required all state agencies, with certain exceptions, that held

TABLE 12 (Continued)
Petty, Travel and Imprest Cash Advance Funds
Balance On August 31, 1984

Fund/Department	Petty Cash	Travel Cash	Imprest Cash
STATE HIGHWAY FUND 006:			
601 State Department of Highways and Public Transportation	$ 0	$ 97,000	$ 0
SPECIAL GAME AND FISH FUND 009:			
802 Parks and Wildlife Department	0	13,386	0
PSYCHOLOGISTS LICENSING FUND 024:			
520 Board of Examiners of Psychologists	200	990	0
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND 026:			
322 Texas Employment Commission	53,298	30,000	0
341 Texas Merit System Council	0	0	0
TEXAS PARKS FUND 031:			
802 Parks and Wildlife Department	0	0	0
OPTOMETRY FUND 034:			
514 Optometry Board	500	1,000	0
VETERINARY FUND 035:			
578 Board of Veterinary Medical Examiners	1,000	1,000	0
INSURANCE BOARD OPERATING FUND 036:			
454 Board of Insurance	500	45,000	0
PROFESSIONAL ENGINEERS FUND 056:			
460 Board of Registration for Professional Engineers	0	2,000	0
COUNTY AND ROAD DISTRICT HIGHWAY FUND 057:			
310 Treasury Department	0	1,000	0
SPECIAL BOAT FUND 059:			
802 Parks and Wildlife Department	0	0	0
REHABILITATION COMMISSION FUND 061:			
330 Texas Rehabilitation Commission	14,000	9,000	0
COMPTROLLER'S OPERATING FUND 062:			
304 Comptroller of Public Accounts	6,600	103,000	0
STATE PARK FUND 064:			
802 Parks and Wildlife Department	500	22,725	0
ATTORNEY GENERAL OPERATING FUND 072:			
302 Attorney General	0	0	0
DENTAL REGISTRATION FUND 086:			
504 Board of Dental Examiners	500	0	0
HEARING AIDS FUND 087:			
509 Board of Examiners - Fitting and Dispensing of Hearing Aids	0	0	0
LIQUOR ACT ENFORCEMENT FUND 097:			
458 Alcoholic Beverage Commission	3,500	0	0
OPERATORS AND CHAUFFEURS LICENSE FUND 099:			
405 Department of Public Safety	465,000	40,000	0
AIR CONTROL BOARD FUND 102:			
519 Air Control Board	0	30,000	0
ARCHITECTS REGISTRATION FUND 109:			
459 Board of Architectural Examiners	0	7,000	0
TEXAS EDUCATION AGENCY OPERATING FUND 112:			
701 Texas Education Agency	0	109,000	0
REAL ESTATE LICENSE FUND 114:			
329 Real Estate Commission	500	0	0
STATE PARKING FUND 125:			
303 State Purchasing and General Services Commission	500	0	0
COMMUNITY AFFAIRS FEDERAL FUND 127:			
332 Department of Community Affairs	0	32,000	0
BATTLESHIP TEXAS OPERATING EXPENSE FUND 131:			
805 Battleship Texas Commission	500	0	0
FEDERAL OLDER AMERICANS FUND 134:			
340 Texas Department on Aging	0	8,000	0
WATER QUALITY FUND 153:			
582 Department of Water Resources	0	5,000	0
INDUSTRIAL REVOLVING FUND 156:			
696 Department of Corrections	0	10,000	0

funds outside the State Treasury to deposit those funds with the State Treasurer, effective September 1, 1981. Table 12 reflects these formerly local funds which have been deposited in the State Treasury, but withdrawn from the State Treasury and held as petty cash at the agency level for the purpose of immediate dispersal to vendors as required by certain programs.

Exempt from the State Funds Reform Act were agencies with authority limited to a geographical area of the state, institutions of higher education as defined by the Texas Education Code, the Banking Department of Texas, the Savings and Loan Department of Texas, the Office of the Consumer Credit Commissioner and the Credit Union Department of Texas.

TABLE 12 (Continued)
Petty, Travel and Imprest Cash Advance Funds
Balance On August 31, 1984

Fund/Department	Petty Cash	Travel Cash	Imprest Cash
CONSERVATORS EXPENSE FUND 164:			
310 Treasury Department	$ 0	$ 8,025	$ 0
WELFARE ADMINISTRATION OPERATING FUND 166:			
324 Department of Human Resources	1,000	100,000	0
FEDERAL STUDENT LOAN FUND 208:			
781 Coordinating Board, Texas College and University System	40	0	0
DEPARTMENT OF PUBLIC SAFETY FEDERAL FUND 222:			
405 Department of Public Safety	0	0	3,000
FEDERAL LAND AND WATER CONSERVATION FUND 223:			
802 Parks and Wildlife Department	0	889	0
PAN AMERICAN UNIVERSITY CURRENT FUND 226:			
736 Pan American University	0	0	0
ANGELO STATE UNIVERSITY CURRENT FUND 227:			
737 Angelo State University	0	5,000	0
LAREDO STATE UNIVERSITY FUND 231:			
761 Laredo State University	20,000	0	0
TEXAS STATE TECHNICAL INSTITUTE CURRENT FUND 237:			
719 Texas State Technical Institute	120,000	0	414,500
TEXAS SOUTHERN UNIVERSITY CURRENT FUND 247:			
717 Texas Southern University	80,000	0	0
UNIVERSITY OF TEXAS AT SAN ANTONIO CURRENT FUND 249:			
743 University of Texas at San Antonio	20,000	0	0
TEXAS A&I UNIVERSITY CURRENT FUND 254:			
732 Texas A&I University	33,250	0	0
LAMAR UNIVERSITY CURRENT FUND 256:			
734 Lamar University	0	0	0
EAST TEXAS STATE UNIVERSITY CURRENT FUND 257:			
751 East Texas State University	25,000	0	0
NORTH TEXAS STATE UNIVERSITY CURRENT FUND 258:			
752 North Texas State University	15,000	47,000	0
STEPHEN F. AUSTIN STATE UNIVERSITY CURRENT FUND 261:			
755 Stephen F. Austin State University	25,000	0	0
SUL ROSS STATE UNIVERSITY CURRENT FUND 262:			
756 Sul Ross State University	20,750	0	0
WEST TEXAS STATE UNIVERSITY CURRENT FUND 263:			
757 West Texas State University	400,000	0	0
FEDERAL HEALTH FUND 273:			
501 Texas Department of Health	500	40,000	0
CRIMINAL JUSTICE PLANNING FUND 421:			
214 Prosecutor Council	0	1,000	0
TEXAS LOCAL PARKS, RECREATION AND OPEN SPACES FUND 467:			
802 Parks and Wildlife Department	0	80	0
COMPENSATION TO VICTIMS OF CRIME FUND 469:			
453 Industrial Accident Board	0	250	0
PUBLIC ACCOUNTANCY FUND 470:			
457 Board of Public Accountancy	0	6,000	0
VETERANS LAND BOARD 1983 BOND FUND 489:			
305 General Land Office	0	11,000	0
BLIND COMMISSION ENDOWMENT FUND 493:			
318 Commission for the Blind	800	0	0
VETERANS LAND PROGRAM ADMINISTRATION FUND 522:			
305 General Land Office	0	5,000	0
S.E.R.S. EXPENSE ACCOUNT 950:			
327 Employees Retirement System	200	4,500	0
TEACHER RETIREMENT SYSTEM TRUST FUND ACCOUNT 960:			
323 Teacher Retirement System	0	12,000	0
TOTAL	$1,858,404	$1,218,244	$505,300

Highway Motor Fuel Tax Fund

Table 13 presents the receipts and allocations for Fund 060, the Highway Motor Fuel Tax Fund, for the 1984 fiscal year. All gasoline, diesel and liquefied gas tax revenue was deposited in this fund for clearance to other funds.

TABLE 13
Highway Motor Fuel Tax Fund 060[1]
Receipts And Allocations
Year Ended August 31, 1984

	Amount	
CASH FUND BALANCE 9-1-83		$ 32,594,690
Actual Gross Receipts		
3007 Gasoline Tax	$424,407,976	
3008 Diesel Fuel Tax	111,581,053	
3009 Liquefied Gas Tax	3,858,874	
TOTAL FUELS	$539,847,903	
Less:		
1% Enforcement - Fund 062	(5,326,016)	
Refunds	(8,117,749)	
Refund Filing Fees - Fund 062	(33,057)	
25% Unclaimed Motorboat Fuel Refunds - Fund 002	(766,633)	
75% Unclaimed Motorboat Fuel Refunds - Fund 009	(2,298,352)	
Plus:		
Warrants Voided by Statute of Limitations	30,488	
Transfer from Gasoline and Alcohol Mixture Fund 066	4,868,043	
NET MOTOR FUELS		528,204,627
Allocated as Follows:		
25% Available School Fund 002	132,357,274	
County and Road District Highway Fund 057[2]	7,300,000	
Balance to State Highway Fund 006	379,725,787	
Small Claims	1,137	
TOTAL ALLOCATIONS		519,384,198
ENDING CASH BALANCE, 8-31-84		$ 41,415,119

[1]Fund 60 was abolished as of September 1, 1984. In the future, motor fuels taxes will be deposited to the General Revenue Fund.
[2]First $7.3 million is deposited to Fund 057. The remaining balance is deposited to Fund 006.

TABLE 14
General Revenue Fund 001-Dedicated Revenue
Receipts And Allocations
Year Ended August 31, 1984

		Receipts					
		Amount	Enforcement	Fund 002	Dedicated	Fund 001 Nondedicated	Other
3003	Motor Vehicle Sales & Use Tax-Mtr Carrier	$ 8,005,379	$ 0	$ 2,001,345	$ 6,004,034	$ 0	$ 0
3004	Motor Vehicle Sales & Use Tax	663,196,701	0	165,799,175	497,397,526	0	0
3005	Motor Vehicle Rental Tax	22,140,450	0	5,535,113	16,605,337	0	0
3006	Motor Vehicle Use Tax - Direct	13,800	0	3,450	10,350	0	0
3041	Carline Companies Tax	-218,907	0	-54,727	-164,180	0	0
3136	Cement Tax	6,326,153	0	1,581,538	4,744,615	0	0
3145	Admissions Tax[1]	24,078	0	6,020	18,058	0	0
3150	Coin Operated Amusement Machine Tax[2]	2,581,447	0	639,112	1,917,335	25,000	0
3155	Occupation Tax on Billiard Tables	523	0	131	392	0	0
3156	Occupation Tax on Pistol Dealers	-905	0	-226	-679	0	0
3157	Occupation Tax on Brokers and Factors	12	0	3	9	0	0
3201	Insurance Companies Occupation Tax	339,788,194	0	84,947,049	254,841,145	0	0
3233	Gas, Electric and Water Utility Tax	163,216,734	0	40,804,183	122,412,551	0	0
3237	Telephone Companies Tax	84,756,554	0	21,189,138	63,567,416	0	0
3238	Telegraph Companies Tax	382,849	0	95,712	287,137	0	0
3253	Liquor Tax[3]	47,170,562	0	9,992,312	29,976,936	7,201,314	0
3254	Airline Beverage Tax	299,485	0	74,871	224,614	0	0
3258	Beer Tax[3]	72,346,507	0	15,313,148	45,939,442	11,093,917	
3259	Wine Tax[3]	5,367,251	0	1,147,182	3,441,548	778,521	
3265	Malt Liquor (Ale) Tax[3]	2,302,725	0	478,366	1,435,099	389,260	0
3290	Oil Production Tax	1,119,394,522	5,596,973	278,449,387	835,348,162	0	0
4290	Refunds: Oil Production Tax	-759,868	0	-189,967	-569,901	0	0
3291	Natural and Casinghead Gas Tax	1,099,592,171	5,497,961	273,523,552	820,570,658	0	0
4291	Refunds: Natural and Casinghead Gas Tax	-4,106,849	0	-1,026,712	-3,080,137	0	0
3296	Oil and Gas Well Servicing Tax	11,017,725	0	2,754,431	8,263,294	0	0
3299	Sulphur Tax	3,383,041	0	845,760	2,537,281	0	0
	Warrants Voided By Statute Of Limitations	2,020	0	0	2,020	0	0
	SUBTOTAL	3,646,222,354	11,094,934	903,909,346	2,711,730,062	19,488,012	0
3256	Liquor Permit Fees	16,046,708	0	0	16,046,708	0	0
3261	Wine and Beer Permits	4,908,515	0	0	4,908,515	0	0
	SUBTOTAL	20,955,223	0	0	20,955,223	0	0
3275	Cigarette Tax, Penalty and Interest	330,128,593	1,338,341	13,132,515	0	297,812,966	17,844,771
4275	Refunds: Cigarette Tax, Penalty & Interest	-43,179	-175	-1,718	0	-38,952	-2,334
3282	Cigarette, Cigar and Tobacco Permits	446,833	1,811	17,776	0	403,093	24,153
4282	Refunds: Cigarette, Cigar & Tobacco Permits	-3,401	-14	-135	0	-3,068	-184
	SUBTOTAL	330,528,846	1,339,963	13,148,438	0	298,174,039	17,866,406
	TOTAL 1984 RECEIPTS	$3,997,706,423	$12,434,897	$917,057,784	$2,732,685,285	$317,662,051	$17,866,406
	DEDICATED TAX REVENUE TRANSFERRED 9-1-83	77,263,290					
	TOTAL TO ALLOCATE	$4,074,969,713					
	TOTAL 1984 ALLOCATIONS	4,000,612,302					
	DEDICATED TAX REVENUE TO BE TRANSFERRED 9-1-84	$ 74,357,411					

General Revenue Fund 001 Dedicated Revenue

Table 14 presents the receipts and disbursements of dedicated revenue in Fund 001 for fiscal 1984. Revenue in this Fund falls into three general categories: (1) Enforcement fees--The Comptroller's Operating Fund 062 receives transfers to help finance the collection of taxes; (2) Allocation to education--A portion of many revenue items is dedicated to education; and (3) other priority programs--Through statute and the General Appropriations Bill, the Legislature has given special status to a number of programs and attempted to insure their funding by giving them a priority claim on revenue.

Most transfers and allocations are made on the first working day of each month. The only exception is August, when transfers are made to Funds 002 and the Sesquicentennial Museum Fund 478 on the last working day. On September 1, the balance of the allocations are made from August collections. After the statutory allocations have been made, all remaining monies are allocated to the Foundation School Fund for nine months of the year. For the last three months, the remainder stays in the General Revenue Fund.

TABLE 14 (Continued)
General Revenue Fund 001-Dedicated Revenue
Receipts And Allocations
Year Ended August 31, 1984

		Allocations				
	Amount	Enforcement	Fund 002	Fund 193	Fund 001	Other
TOTAL TO ALLOCATE	$4,079,969,713					
ENFORCEMENT FEES:						
Comptroller Operating Fund 062:						
Crude Oil	$ 5,613,217	$ 5,613,217	$ 0	$ 0	$ 0	$ 0
Natural Gas	5,448,356	5,448,356	0	0	0	0
Cigarette Tax	1,358,253	1,358,253	0	0	0	0
Liquor Act Enforcement Fund 097[4]	0	0	0	0	0	0
TRANSFERS:						
General Revenue Fund 001 To Non-Dedicated	828,459,676	0	0	0	828,459,676	0
Available School Fund 002	916,801,059	0	916,801,059	0	0	0
State Parks Fund 064	18,110,261	0	0	0	0	18,110,261
Coin Machine Enforcement to Fund 001	25,000	0	0	0	25,000	0
Alcoholic Beverages Tax Enforcement to Fund 001	19,463,012	0	0	0	19,463,012	0
ALLOCATIONS:						
Farm-to-Market Road Fund 189	15,000,000	0	0	0	0	15,000,000
Teacher Retirement Program Fund 960 & 963	586,954,326	0	0	0	0	586,954,326
State Highway Fund 006	230,813,516	0	0	0	0	230,813,516
Foundation School Fund 193	1,371,536,704	0	0	1,371,536,704	0	0
Small Claims	1,028,922	0	0	0	0	1,028,922
TOTAL 1984 ALLOCATIONS	$4,000,612,302	$12,419,826	$916,801,059	$1,371,536,704	$847,947,688	$851,907,025
DEDICATED TAX REVENUE TO BE TRANSFERRED 9-1-84	$ 74,357,411					

[1]The Admissions Tax was repealed and the revenue shown here is for delinquent taxes and money held due to court litigation.
[2]First, $25,000 is deposited to Fund 001 for enforcement. The remaining balance is split, 25% to Fund 002 and 75% to Fund 001 for priority allocation.
[3]A percentage is deposited to Fund 001 for enforcement. The balance is split 25% to Fund 002 and 75% to Fund 001 for priority allocation.
[4]Refunds are included in this amount.

The Foundation School Program

The Foundation School Program (FSP) is the basis of public school finance in Texas, with both the state's share and local school districts' shares determined by statutory formulas.

The Foundation School Fund Budget Committee, consisting of the Governor, the Lieutenant Governor and the State Comptroller of Public Accounts, was established to oversee expenditures for the FSP. The Committee is required to meet in the fall preceding each regular session of the Legislature to certify the estimated cost of the FSP to the state for the coming biennium.

Since the FSP has priority status in the state financial structure, the estimated cost has a direct impact on funds available for other state programs and plays a key role in the appropriations process. In addition, the Committee meets periodically to modify the certification to comply with legislative changes or to revise the certified FSP cost estimates prepared by the Texas Education Agency.

Expenditures for support of the FSP are made from two state funds. The Available School Fund 002 receives the investment income of the Permanent School Fund 044 and allocations from the General Revenue Fund 001 and the Highway Motor Fuel Tax Fund 060. These funds are distributed to school districts on a per capita basis. The remaining portion of the state's share of the cost of the FSP is paid from the Foundation School Fund 193. The principal source of income for the Foundation School Fund is the General Revenue Fund.

Table 15 presents the FSP budget estimate for the year ended August 31, 1984, as certified by the Committee in October 1983. State expenditures from fiscal 1984 FSP appropriations are also shown in Table 15.

TABLE 15
Foundation School Program
Budget Estimate And State Expenditures
Year Ended August 31, 1984

Program	October 1983 Cost Estimate
Regular	$3,158,860,000
Vocational Education	228,700,000
Special Education	411,000,000
Regional Day Schools for the Deaf	21,389,000
Bilingual Education	9,761,875
Compensatory Education	51,600,000
Equalization Aid	271,000,000
Minimum Aid	37,000,000
Other Programs	38,820,743
Prior Years Adjustments	-3,000,000
Total Foundation School Program Cost, estimated	$4,225,131,618
Less: Total Local Funds, estimated	487,716,300
BALANCE TO BE PAID FROM STATE FUNDS	$3,737,415,318
STATE EXPENDITURES	
Available School Fund	$1,313,123,941
Foundation School Fund	2,371,770,914
TOTAL STATE EXPENDITURES, FOUNDATION SCHOOL PROGRAM	$3,684,894,855

Notes To The Annual Financial Report

NOTE 1 - ANNUAL FINANCIAL REPORT PRESENTATION

The Annual Financial Report for the State includes all funds in the State Treasury and has been prepared primarily from accounts maintained by the State Comptroller. Additional data has been derived from reports prescribed by the Comptroller and prepared by various agencies of the State.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The funds of the State Treasury are accounted for on a cash basis as required by law. Revenue is reported in the period when the related cash collection is made and expenses are reported in the period the disbursements are made.

b. Short Term Cash Surpluses

The State Treasurer invests all short term cash surpluses in security repurchase agreements and treasury bills. No entry is made to reduce the cash balance in any fund for these transactions. At August 31, 1983, $852,110,597 was invested in security repurchase agreements and treasury bills. This amount is stated at cost which approximates market value.

c. Interfund Borrowing

The Comptroller is authorized by law, with the approval of the State Treasurer, to borrow money from statutory funds to cover General Revenue Fund shortfalls caused by mismatches in the timing of expenditures and revenue.

These transfers to the General Revenue Fund are temporary and are transferred back to the lending fund as soon as practicable. The Comptroller preserves the fund equity and the State Treasurer allocates the depository interest as if the transfers had not been made.

At August 31, 1984, all short term borrowings of the General Revenue Fund had been returned to the lending statutory funds and no liability existed.

d. Investments

Various agencies of the State are authorized by law to invest and reinvest the balances of certain funds in the State Treasury. Unlike the cash pool investments of the State Treasury in Note 1.b, these agency investments are purchased directly from individual fund resources and thus reduce the cash balance of the related fund. The investments are maintained as an asset of the fund from which they are purchased. The State Treasury is the custodian of the investment paper.

Investments are recorded at par. Discounts and premiums are recorded in separate contra accounts which are amortized over the life of the investment.

e. Bonded Indebtedness

Outstanding bonded indebtedness is maintained as a long-term liability account in the statewide accounting system. These include the constitutionally authorized general obligation bonds and Permanent University Fund Bonds which are both maintained in special funds in the State Treasury. These bonds are recorded at par and are reduced by the amount of each payment of principle.

All bond funds were self sufficient for debt service requirements during the fiscal year reporting period.

NOTE 3 - GENERAL FIXED ASSETS

The estimated general fixed asset balances for the state at August 31, 1984, are as follows:

Land	$ 367,182,372
Buildings	3,924,650,633
Improvement Other Than Land	610,310,172
Furniture and Equipment	2,062,227,914
Other	381,291,183
Total General Fixed Assets	$7,345,662,274

General fixed assets are not maintained on the statewide accounting system. The general fixed asset balances above were derived from information requested by the Comptroller and provided by the various agencies of the state.

The state's infrastructure assets are not presented. The amounts recorded by the state agencies for general fixed assets reflect only those assets for which

historical cost data has been maintained. The amounts presented above are not intended to represent all of the state's general fixed assets.

NOTE 4 - ENCUMBRANCES AND ACCOUNTS PAYABLE

The General Revenue Fund had estimated encumbrances of $266,342,652 and accounts payable of $66,705,956 at August 31, 1984.

Encumbrances and accounts payable are not recorded on the statewide accounting system. They are maintained by the individual agencies of the state.

The General Revenue Fund encumbrances and accounts payable balances above were derived from information requested by the Comptroller and provided by the various agencies of the state that have General Revenue funded appropriations.

Only General Revenue Fund encumbrance and accounts payable balances are presented herein since this is the primary fund of the state over which the Legislature has true discretionary appropriation ability. All other funds have restricted uses.

Encumbrances are defined as commitments related to unperformed (executory) contracts for goods or services. Accounts payable are defined as a liability account reflecting amounts on open account owing to private persons or organizations but not including amounts due to other funds.

NOTE 5 - PENSION PLAN

The state has three separately defined pension plans which cover substantially all of its employees. They are the Employees Retirement System, the Teacher Retirement System and the Judicial Retirement System.

The Employees Retirement System and the Teacher Retirement System are maintained on an actuarially sound basis. The Judicial Retirement System, however, is maintained on a pay-as-you-go basis. The program remains under study for conversion to an actuarially sound basis.

As a part of their study of the Judicial Retirement System, the State Pension Review Board engaged the actuarial firm of Milliman and Robertson, Inc., to prepare a valuation as of August 31, 1981. Their valuation used the "entry age" actuarial cost method.

Based on a 7½ percent assumed investment rate, the unfunded actuarial liability was determined to be $117.6 million. The state contribution rate that would be necessary to pay normal costs and amortize this unfunded liability within 40 years, should the system be restructured from a pay-as-you-go basis to a funded plan, was calculated to be 46.8 percent of payroll (with 28.9 percent applied to normal costs and 17.9 percent to amortizing the unfunded liability).

The unfunded actuarial liability for the state's retirement program are as follows:

Retirement System	Unfunded Actuarial Liability	Date of Last Actuarial Valuation	Number of Years to Fund Liability
Employees Retirement			
-Regular Employees	$ 732,234,472	8-31-83	22.8
-Law Enforcement and Custodial Officers	36,398,706	8-31-83	31
Teacher Retirement	4,549,420,814	8-31-83	24-25
TOTAL	$5,318,053,992		

These above amounts were derived from data requested by the Comptroller and provided by the responsible state agency. The individual annual financial reports for these agencies should report the same liability balances.

NOTE 6 - SUBSEQUENT EVENT

A $50,000,000 Water Development bond issue sold in August 1984 will not be delivered until September 1984. Therefore the proceeds from the sale of these general obligation bonds are not reported nor are they included in the bonded indebtedness.

State Revenue

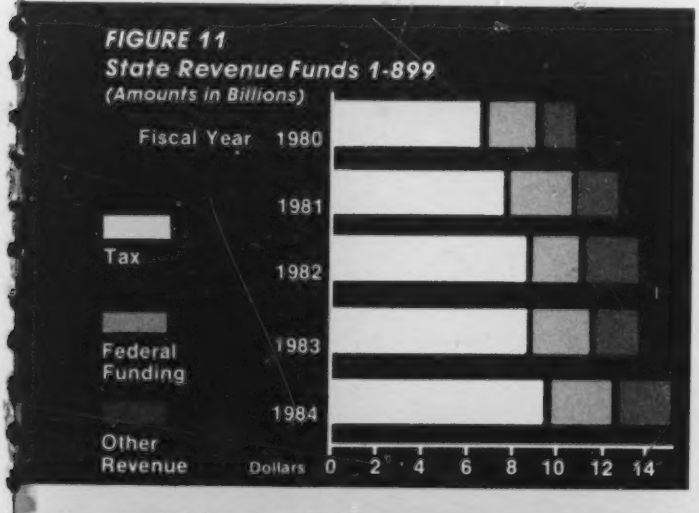
Total state revenue for the year ended August 31, 1984, was $16.20 billion for all state funds. When the trust and suspense funds (numbered 900 and above) are excluded, revenue for Funds 1-899 reached $14.92 billion in 1984 (Figure 11).

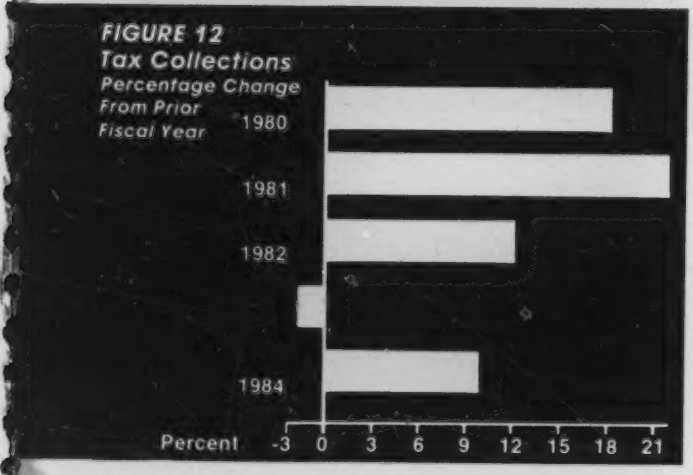
Tax Collections

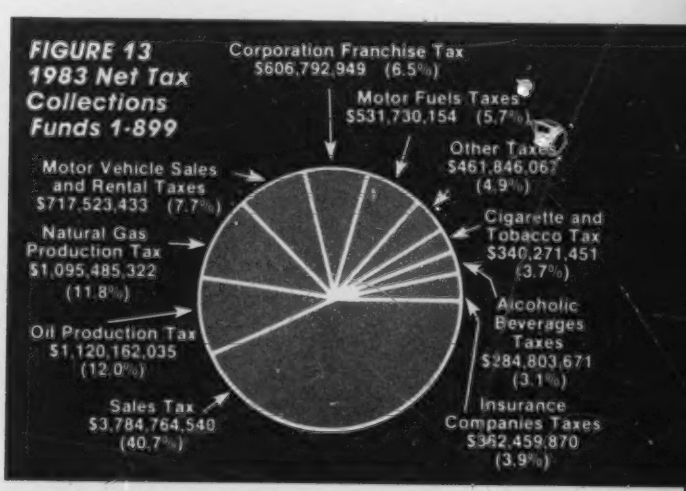
Taxes are the major source of revenue for Texas state government. In 1984, tax collections totaled $9.31 billion, compared with $8.50 billion in 1983. Table 16 details tax collections for the last five years.

The sales tax was the major source of tax dollars. Sales tax receipts of $3.78 billion constituted 40.7 percent of total tax collections (Figure 13). Figure 14 highlights the growth rate in sales tax receipts by quarter from 1981 to 1984.

Oil production and regulation taxes, the second largest source of tax dollars in 1984, continued to suffer from the world oil glut. The tax is levied at a rate of 4.6 percent of the value of production. Oil tax receipts of $1.12 billion represented a 5.9 percent drop from 1983.







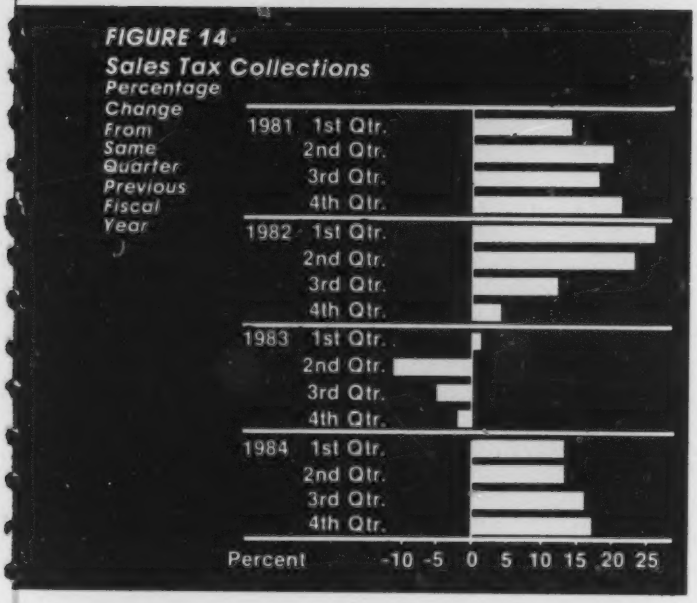
The natural gas production tax managed an increase in collections of 3.2 percent, increasing $34.3 million from 1983. Total severance taxes on oil and natural gas decreased $36 million due to the decline in oil production and regulation taxes. Total severance taxes represented 23.8 percent of all taxes in 1984, compared to 26.5 percent in 1983.

The motor fuels taxes increased 8.4 percent to $531.7 million. With receipts of $717.5 million, the motor vehicle sales and rental taxes increased $133.2 million or 22.8 percent from the previous fiscal year. By contrast, receipts from these taxes increased only 1.6 percent in 1983.

TABLE16
Net Revenue[1] By Source And Opening Cash Balance
Funds 1-899
Year Ended August 31, 1984

	1980	1981	1982	1983	1984
Tax Collections By Major Tax					
Sales Tax[2]	$ 2,521,373,858	$ 2,982,857,569	$ 3,461,092,316	$ 3,304,614,441	$ 3,784,764,540
Oil Production Tax	785,690,969	1,290,953,492	1,316,789,605	1,190,086,803	1,120,162,035
Natural Gas Production Tax	734,246,517	901,931,450	1,057,056,645	1,061,226,753	1,095,485,322
Motor Fuels Taxes (Gasoline, Diesel, LPG)	480,695,116	480,779,530	496,415,942	490,373,725	531,730,154
Motor Vehicle Sales and Rental Taxes[2]	437,877,835	511,067,594	575,337,054	584,318,969	717,523,433
Corporation Franchise Tax	340,778,939	417,433,434	481,218,755	555,312,183	606,792,949
Cigarette and Tobacco Taxes	321,764,338	339,583,015	346,037,988	354,964,084	340,271,451
Alcoholic Beverages Taxes	200,464,618	236,521,732	267,679,552	271,921,642	284,803,671
Insurance Companies Taxes	176,107,433	189,166,382	200,116,018	223,693,492	362,459,870
Utility Taxes	111,526,144	154,634,916	188,129,834	224,505,684	210,972,850
Inheritance Tax	75,538,848	96,359,998	107,848,820	88,396,389	97,543,483
Telephone Tax	59,789,770	68,605,059	79,875,829	84,905,819	84,756,554
Hotel and Motel Tax	29,613,644	35,595,348	42,634,357	40,594,441	44,899,926
Other Taxes[3]	68,267,132	36,543,375	29,793,029	22,902,700	23,673,254
TOTAL	$ 6,343,785,161	$ 7,742,032,894	$ 8,650,025,744	$ 8,497,817,125	$ 9,305,839,492
Revenue By Source					
Tax Collections	$ 6,343,785,161	$ 7,742,032,894	$ 8,650,025,744	$ 8,497,817,125	$ 9,305,839,492
Federal Funding[4]	2,612,754,709	2,854,756,201	2,433,895,424	2,848,870,321	3,114,983,206
Interest Income	536,471,780	637,507,838	832,331,436	803,482,042	862,940,478
Licenses and Fees	477,979,336	501,479,752	540,020,817	542,238,626	648,054,472
Land Income: Rents, Royalties, Sales	550,462,102	803,181,855	741,821,244	582,286,183	589,787,891
Other Revenue Sources[4] [5]	139,434,866	196,361,756	240,383,567	300,653,493	400,343,841
TOTAL	$10,660,887,954	$12,735,320,296	$13,438,478,232	$13,575,347,790	$14,921,949,380
Receipts to Petty Cash Accounts	445,747	485,037	824,846	701,216	323,672
Opening Net Cash Balances, September 1					
State Treasury	2,151,633,622	1,949,779,322	2,272,833,378	2,859,710,368	2,222,035,704
Petty Cash Funds	1,289,935	1,686,551	2,074,388	2,840,440	3,275,282
Total, Opening Net Cash Balances, September 1	2,152,923,557	1,951,465,873	2,274,907,766	2,862,550,808	2,225,310,986
Total Net Revenue and Opening Cash Balances	$12,814,257,258	$14,687,271,206	$15,714,210,844	$16,438,599,814	$17,147,584,038

[1]Excludes some revenue not cleared through the Comptroller's Office.
[2]Sales Tax (Limited Sales and Use Tax) and Motor Vehicle Sales Tax are shown separately.
[3]The Other Taxes category includes the Ad Valorem Tax, other occupation taxes not separately identified; Cement and other gross receipts taxes not separately identified; the Bedding Tax; and the Sulphur Tax.
[4]Some revenue was reclassified from the Federal Funding category to the Other Revenue Sources category.
[5]Includes pay patient collections, grants, donations and miscellaneous revenue.



Corporate franchise tax receipts totaled $606.8 million in fiscal 1984, an increase of 9.3 percent.

Cigarette and tobacco taxes brought in $340 million in 1984, a 4.1 percent decrease from a year ago. Levied at flat rates, the cigarette tax ($330 million) and the cigar and tobacco products tax ($10.2 million) continue to have less significance in state finance.

Alcoholic beverages taxes totaled $284.8 million in 1984, a 4.7 percent increase over 1983. The mixed drinks gross receipts tax is levied as a percentage of the gross receipts from mixed drink sales and accounts for most of the revenue in this tax source ($157.3 million). The other major taxes included are the beer tax ($72.3 million) and the liquor tax ($47.2 million), both levied at flat rates. The other assessments on alcoholic beverages are the wine, malt liquor and airline beverages taxes, which brought in $5.4 million, $2.3 million and $0.3 million, respectively.

TABLE 17
Percentage Of Net Revenue By Source
Funds 1-899

	Percentage of Total				
	1980	1981	1982	1983	1984
Tax Collections By Major Tax					
Sales Tax	39.7%	38.5%	40.0%	38 9%	40.7%
Oil Production Tax	12.4	16.7	15.2	14.0	12.0
Natural Gas Production Tax	11.6	11.6	12.2	12.5	11.8
Motor Fuels Taxes (Gasoline, Diesel, LPG)	7.6	6.2	5.8	5.8	5.7
Motor Vehicle Sales and Rental Taxes	6.9	6.6	6.7	6.9	7.7
Corporation Franchise Tax	5.4	5.4	5.6	6.5	6.5
Cigarette and Tobacco Taxes	5.1	4.4	4.0	4.2	3.7
Alcoholic Beverages Taxes	3.2	3.1	3.1	3.2	3.1
Insurance Companies Taxes	2.8	2.4	2.3	2.6	3.9
Utility Taxes	1.7	2.0	2.2	2.6	2.3
Inheritance Tax	1.2	1.2	1.2	1.0	1.0
Telephone Tax	0.9	0.9	0.9	1.0	0.9
Hotel and Motel Tax	0.4	0.5	0.5	0.5	0.5
Other Taxes	1.1	0.5	0.3	0.3	0.2
TOTAL TAX COLLECTIONS	100.0%	100.0%	100.0%	100.0%	100.0%
Revenue By Source					
Tax Collections	59.5%	60.8%	64.4%	62.6%	62.4%
Federal Funding	24.5	22.5	18.1	21.0	20.9
Interest Income	5.0	5.0	6.2	5.9	5.8
Licenses and Fees	4.5	3.9	4.0	4.0	4.3
Land Income: Rents, Royalties, Sales	5.2	6.3	5.5	4.3	4.0
Other Revenue Sources	1.3	1.5	1.8	2.2	2.6
TOTAL NET REVENUE	100.0%	100.0%	100.0%	100.0%	100.0%

Occupation taxes on insurance companies reached $362.5 million in fiscal 1984, a 62 percent increase above 1983.

Utility taxes reached $211 million in fiscal 1984. The tax on gas, electric and water utilities totaled $163 million, a 4.6 percent hike above last year. The public utility gross receipts tax totaled $27.5 million, while gas utility administration tax revenue was $20.2 million. Utility taxes decreased six percent below 1983.

Inheritance tax collections totaled $97.5 million in 1984, up 10.3 percent from 1983.

Other tax sources include the telephone tax and the hotel and motel occupancy tax, as well as a number of smaller levies. Telephone tax receipts totaled $84.8 million in 1984. The hotel and motel tax--a gross receipts tax levied at a rate of three percent of total consideration paid--totaled $44.9 million in 1984, a 10.6 percent increase above 1983. Finally, the other taxes categories, which includes the sulphur and cement taxes and miscellaneous gross receipts and occupation taxes, brought in $23.7 million in fiscal 1984, an increase of 3.4 percent over 1983. This category accounted for 0.2 percent of all tax dollars in 1984. (Table 19 outlines the tax rates and bases of the major state taxes.)

Per Capita Tax Collections

Table 20 shows per capita state tax collections for fiscal years since 1970. The per capita data were calculated using the *1980 Census of Population* and Chase Econometric Association Regional Forecasts personal income data.

The figures have been revised to reflect the most recent income and population estimates.

TABLE 18
Annual Percentage Change In
Net Revenue By Source
Funds 1-899

	Percentage Change From Prior Year			
	1981	1982	1983	1984
Tax Collections By Major Tax				
Sales Tax	18.3%	16.0%	- 4.5%	14.5%
Oil Production Tax	64.3	2.0	- 9.6	- 5.9
Natural Gas Production Tax	22.8	17.2	0.4	3.2
Motor Fuels Taxes (Gasoline, Diesel, LPG)	0.0	3.3	- 1.2	8.4
Motor Vehicle Sales and Rental Taxes	16.7	12.6	1.6	22.8
Corporation Franchise Tax	22.5	15.3	15.4	9.3
Cigarette and Tobacco Taxes	5.5	1.9	2.6	- 4.1
Alcoholic Beverages Taxes	18.0	13.2	1.6	4.7
Insurance Companies Taxes	7.4	5.8	11.8	62.0
Utility Taxes	38.7	21.7	19.3	- 6.0
Inheritance Tax	27.5	11.9	-18.0	10.3
Telephone Tax	14.7	16.4	6.3	- 0.2
Hotel and Motel Tax	20.2	19.8	- 4.8	10.6
Other Taxes	- 46.5	-18.5	-23.1	3.4
TOTAL TAX COLLECTIONS	22.0	11.7	- 1.8	9.5
Revenue By Source				
Tax Collections	22.0%	11.7%	- 1.8%	9.5%
Federal Funding	9.3	-14.7	17.0	9.3
Interest Income	18.8	30.6	- 3.5	7.4
Licenses and Fees	4.9	7.7	0.4	19.5
Land Income: Rents, Royalties, Sales	45.9	- 7.6	-21.5	1.3
Other Revenue Sources	40.8	22.4	25.1	33.2
TOTAL NET REVENUE	19.5	5.5	1.0	9.9

TABLE 19
Tax Rates And Taxable Bases For Major Texas State Taxes
Fiscal 1984

Description of Taxes[1]	Rate and Base
Sales and Use Tax	4% of the retail sale price of tangible personal property. (Effective October 2, 1984, the new rate became 4.125%.)
Natural and Casinghead Gas Tax	7.5% of the market value of gas produced in the state.
Oil Production and Regulation Taxes	Production: 4.6% of the market value of oil produced in the state. Regulation: 3/16 of 1¢ on each barrel produced.
Motor Fuels Taxes	Motor Fuel Tax: 5¢ per gallon of gasoline. Special Fuels Taxes: Diesel fuel - 6.5¢ per gallon. Liquefied Gas - 5¢ per gallon. Gasohol - 5¢ per gallon. Gasoline, Diesel fuel and Liquefied Gas Taxes were raised to 10¢ per gallon as of August 1, 1984.
Motor Vehicle Sales and Rental Taxes	Sales: 4% of vehicle sales price, less any trade-in. Rental: 4% of gross rental receipts. Interstate Carriers: A 4% apportioned tax is due on certain motor vehicles, trailers, semitrailers and buses operated on an interstate basis by carriers who are residents of Texas or who are domiciled or doing business in Texas. (Tax rates on all three categories increased to 5% on August 1, 1984.)
Cigarette and Tobacco Products Taxes	Cigarette: $9.25 per 1,000--18.5¢ per pack of 20. (19.5¢ per pack effective October 2, 1984) Cigar and Tobacco Products: based on weight per 1,000 and selling price: (1) cigars weighing not more than 3 pounds per 1,000--1¢ for every 10 cigars; (2) cigars weighing more than 3 pounds per 1,000 and retailing for not more than 3.3¢ each - $7.50 per 1,000; (3) cigars weighing more than 3 pounds per 1,000 and selling for over 3.3¢ each, containing no substantial amounts of nontobacco ingredients--$11.00 per 1,000; (4) cigars weighing more than 3 pounds per 1,000 and selling for over 3.3¢ each, containing substantial amounts of nontobacco ingredients--$15.00 per 1,000; (5) chewing, pipe or smoking tobacco (and snuff, beginning October 2, 1984)--25% of the factory list price exclusive of discounts.
Corporation Franchise Tax	Domestic and foreign corporations, unless otherwise provided for, pay whichever yields the greater tax: (1) $4.25 per $1,000 of taxable capital and surplus; (2) $55.00. (On May 1, 1985, the rate per $1,000 increases to $5.25 and the minimum tax increases to $68.00.)
Alcoholic Beverages Tax	Beer: $5.00 per barrel. Liquor: $2.00 per gallon or 53¢ per liter. Wine: Alcoholic volume not over 14% - 17¢ per gallon/4¢ per liter. More than 14% - 34¢ per gallon/9¢ per liter. Sparkling wine - 43¢ per gallon/11¢ per liter. Malt Liquor (Ale): 16.5¢ per gallon. Mixed Drinks Gross Receipts: 10% of gross receipts. (The rate for each of the above increased 20% on October 2, 1984.) Airline Beverage Tax: 5¢ per serving.
Insurance Companies Tax	Tax based on gross premiums according to a percentage of assets invested in the state: Percentage Investment in Texas — Rate 75% or less — 3.3% More than 76% but not more than 80% — 3.025 More than 80% but not more than 85% — 2.75 More than 85% but not more than 90% — 2.2 In excess of 90% — 1.925 (Base and rate changes go into effect on January 1, 1985.)
Inheritance Tax	A tax equal to the amount of the federal credit is imposed on the transfer of property at death.

[1]Taxes not shown include: cement tax, oil and gas well servicing tax, bingo tax, carline companies tax, telegraph tax, sulphur tax, coin-operated amusement machine tax and minor occupation taxes.

TABLE 19 (Continued)
Tax Rates And Taxable Bases For Major Texas State Taxes
Fiscal 1984

Ad Valorem Tax	10¢ per $100 valuation on real and personal property assessed at a statewide ratio of .0001 percent.
Utility Taxes	Public Utility Gross Receipts: 1/6 of 1% of gross receipts. Gas, Electric and Water Utility: (1) cities 1,000-2,500 pop. - .581% of gross receipts; (2) cities 2,500-10,000 pop. - 1.070%; (3) cities 10,000 pop. or more - 1.997%. Gas Utility Administration: ¼ of 1% of gross receipts of gas utility.
Telephone Tax	(1) Cities less than 2,500 pop. - 1.65% of gross receipts; (2) Cities 2,500-10,000 pop. - 1.925%; (3) Cities 10,000 pop. or more - 2.5025%.
Hotel and Motel Tax	3% of consideration paid by occupant (October 2, 1984, the rate increased to 4%).
Manufactured Housing Tax	6.5% of 65% of the manufacturer's selling price.

SOURCE: Comptroller of Public Accounts, *Manual of Accounts, Volume II - Revenue* (Austin, 1981).

TABLE 20
Texas Per Capita State Tax Collections

Fiscal Year	State Tax Collections	Resident Population	Per Capita Tax Collections	Percentage Change	Taxes as a Percentage of Personal Income
1970	$1,782,640,152	11,199,000	$159.18	-%	4.53%
1971	1,992,055,564	11,510,000	173.07	8.7	4.69
1972	2,341,326,235	11,759,000	199.11	15.0	4.99
1973	2,582,903,255	12,019,000	214.90	7.9	4.80
1974	3,026,705,043	12,268,000	246.72	14.8	4.98
1975	3,367,751,883	12,568,000	267.96	8.6	4.90
1976	3,913,827,072	12,903,000	303.33	13.2	5.00
1977	4,419,881,616	13,192,000	335.04	10.5	4.99
1978	5,032,274,299	13,498,000	372.82	11.3	4.94
1979	5,390,313,009	13,887,000	388.16	4.1	4.54
1980	6,343,785,161	14,229,000r	445.83	14.9	4.66
1981	7,742,032,894	14,736,000r	525.38	17.8	4.89
1982	8,650,025,743	15,329,000r	564.29	7.4	4.98
1983	8,497,817,125	15,724,000r	540.44	- 4.2	4.73r
1984	9,305,839,492	16,054,000e	579.66	7.3	4.62e

SOURCE: Tax collection data were compiled from Texas Comptroller of Public Accounts, ANNUAL FINANCIAL REPORT (Austin: various years). Population and personal income figures are from U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis. 1984 population and personal income are based on Comptroller of Public Accounts estimates.

e - estimated
r - revised

Federal Funds

The state received $3.11 billion from the federal government during fiscal 1984, $266 million more than in 1983.

Table 21 presents a breakdown of federal funds for 11 program categories for the last five fiscal years. Increases in federal funding were recorded in eight categories in 1984.

Federal revenue was 21 percent of all state revenue in 1983 and 20.9 percent in 1984. Figure 15 illustrates the amount of federal funding to the state for fiscal 1984 in comparison to the four previous years. Distribution of federal funds by category is shown in Figure 16.

FIGURE 15
Federal Funds
Funds 1-899
Percentage Change From Prior Fiscal Year

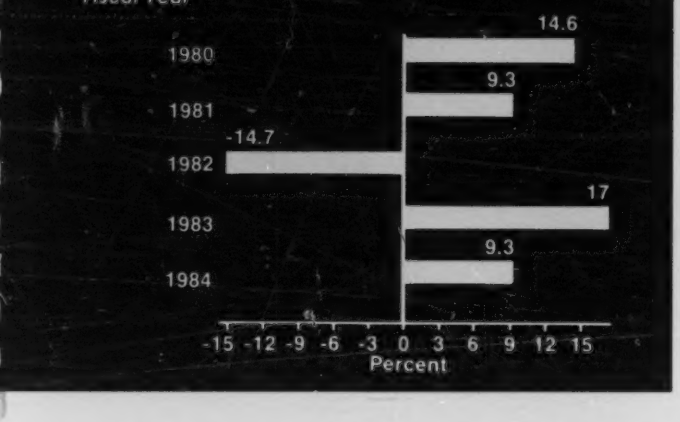


FIGURE 16
Federal Funds Received By The State
(Amounts in Millions)

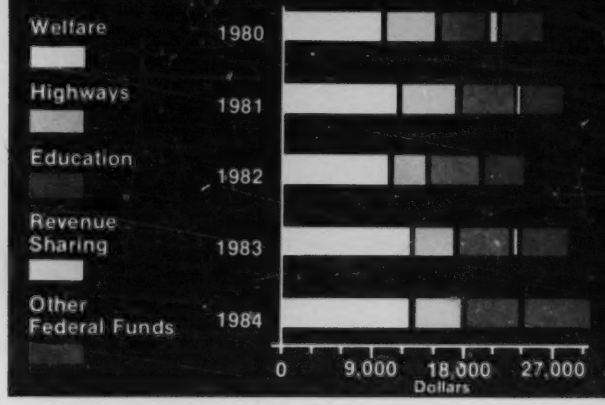


TABLE 21
Federal Fund Revenue By Program Category[1]
Year Ended August 31, 1984

Program Category	1980	1981	1982	1983	1984
Welfare	$1,009,034,072	$1,143,115,210	$1,061,007,496	$1,279,220,725	$1,287,345,827
Education	554,879,378	623,212,184	544,456,571	621,720,629	607,237,910
Highways/Transportation	494,197,579	585,737,385	395,944,763	453,238,999	560,067,678
Social/Rehabilitative Services	239,294,104	260,614,060	224,635,315	274,941,597	354,090,277
Revenue Sharing	110,323,998	27,678,493	0	2,321,281	0
Unemployment Compensation	90,220,108	103,734,550	98,987,286	117,621,548	131,650,961
Health	30,439,811	28,311,014	34,101,688	46,101,334	90,108,360
Public Safety/Law Enforcement	43,110,390	35,792,981	30,456,403	12,412,284	38,748,667
Natural Resources/Environmental Protection	31,567,784	36,855,348	33,219,890	33,252,201	31,015,312
General Government	4,248,208	3,368,384	5,695,781	3,341,566	8,785,291
Other	5,445,135	6,336,592	5,390,205	4,698,155	5,932,923
TOTAL	$2,612,760,567	$2,854,756,201	$2,433,895,398	$2,848,870,319	$3,114,983,206

[1]The Federal Funds Category has been redefined to exclude grants to cities, counties and other political subdivisions. This change is reflected in the amounts shown above.

State Expenditures

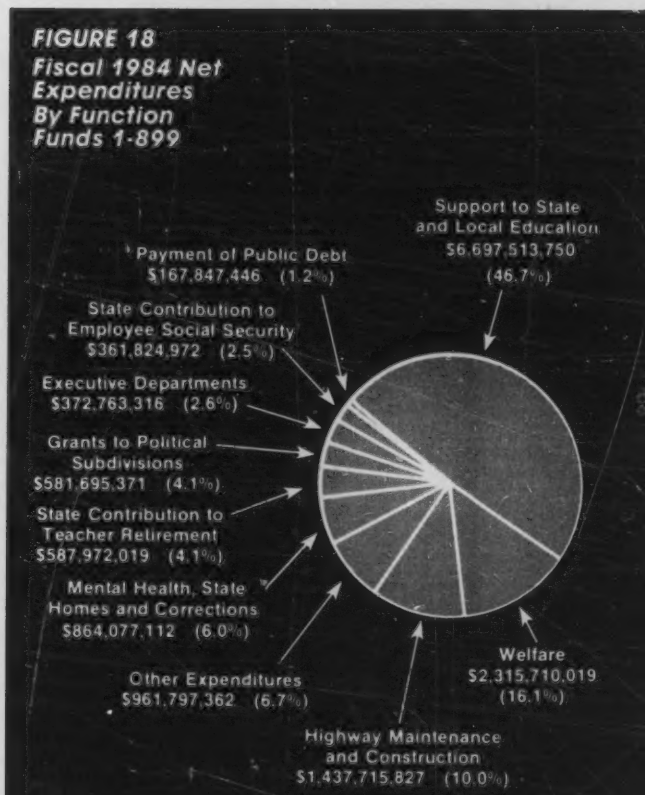
Expenditures by Function

State expenditures in fiscal 1984 totaled $14.35 billion from Funds 1-899. State spending from Funds 1-899 increased by six percent above a year ago.

Net expenditures, their percentage of total and percentage change by function for Funds 1-899 are shown for the years 1980-1984 in Tables 22 through 24. Growth in total state expenditures for the last five years by function is illustrated in Figure 17, while Figure 18 shows 1984 expenditures by function.

FIGURE 17
State Expenditures By Function
Funds 1-899
(Amounts in Millions)

FIGURE 18
Fiscal 1984 Net Expenditures By Function Funds 1-899



Overall, educational spending accounts for $7.28 billion, more than half of total outlays by the state--50.8 percent of total expenditures in fiscal 1984--making it the largest category of state spending. Expenditures for support of state and local education were $6.7 billion in 1984, as shown in Table 22. Support of education increased 5.5 percent above 1983 and comprised 46.7 percent of total expenditures. Teacher retirement totaled $588 million in fiscal 1984, a decrease of five percent from 1983 contributions.

The second largest function of state spending was welfare in the Services category. Welfare expenditures totaled $2.32 billion in fiscal 1984, representing 16.1 percent of total expenditures. Welfare spending increased by 7.7 percent from a year ago.

Health and sanitation expenditures totaled $210.7 million in 1984, seven percent below last year. The health and sanitation category includes expenditures by the Texas Department of Health, health-related examining boards, the University of Texas System Cancer Center, the Air Control Board and the Health Facilities Commission.

Mental health, state homes and corrections expenditures in the Services category totaled $864 million in fiscal 1984, a 7.1 percent increase above the previous year. This function accounted for six percent of total net expenditures. It includes disbursements made by state homes, schools and institutions for the disabled not included in the welfare category; the Texas Department of Mental Health and Mental Retardation; and the Texas Department of Corrections (TDC).

State expenditures for highway maintenance and construction in the Improvements category totaled $1.44 billion in fiscal 1984, a 5.5 percent decrease from a year ago. Spending by the Texas Department of Highways and Public Transportation accounted for 86.6 percent of expenditures made in the improvements category. Highway maintenance and construction disbursements were the third largest function of state spending, representing 10 percent of total expenditures in 1984. Also in improvements spending were natural resources, $138.4 million, and parks and monuments, $83.7 million.

State spending in the Other Expenditures category totaled $1.28 billion, 8.9 percent of all spending. State contributions for employee social security were

$361.8 million in fiscal 1984, a $34.7 million or 10.6 percent increase above a year ago. The state pays a portion of each employee's contribution in addition to its matching contribution as an employer. Social security contributions were 2.5 percent of all state spending in fiscal 1984.

Also in the Other Expenditures category, grants to political subdivisions totaled $581.7 million in 1984, a 44.9 percent increase above a year ago. This category included grants by various state agencies to cities and counties amounting to $180.4 million. Other recipients of these grants included community action programs and college students. Also in this category are payment of public debt, $167.8 million; state contribution to employee retirement, $152.6 million; and miscellaneous expenditures, $20 million.

TABLE 22
Net Expenditures[1] By Function And Closing Cash Balances
Funds 1-899
Year Ended August 31, 1984

	1980	1981	1982	1983	1984
ADMINISTRATIVE					
Executive Departments	$ 179,497,147	$ 207,774,564	$ 243,349,321	$ 327,454,140	$ 372,763,316
Business Regulatory Commissions	59,296,627	66,068,902	77,926,204	86,937,298	106,220,526
Legislative	23,135,137	31,432,496	31,261,488	40,838,300	44,383,241
Judicial	25,480,076	27,700,404	35,948,162	39,789,272	45,513,231
Total	287,408,987	332,976,366	388,485,175	495,019,010	568,880,314
SERVICES					
Welfare	1,601,321,095	1,889,948,852	1,802,866,236	2,150,383,583	2,315,710,019
Mental Health, State Homes and Corrections	513,621,785	586,577,654	730,172,182	806,685,089	864,077,112
Health and Sanitation	153,682,641	174,179,606	205,529,683	226,719,451	210,728,367
Law Enforcement	103,404,512	114,017,001	129,844,607	144,804,550	160,192,233
Total	2,372,030,033	2,764,723,113	2,868,412,708	3,328,592,673	3,550,707,731
IMPROVEMENTS					
Highway Maintenance and Construction	1,580,922,041	1,642,658,408	1,353,572,613	1,520,847,570	1,437,715,827
Natural Resources	94,303,991	105,603,646	124,545,934	135,636,670	138,424,738
Parks and Monuments	59,355,849	83,157,508	69,101,582	72,115,362	83,730,675
Total	1,734,581,881	1,831,419,562	1,547,220,129	1,728,599,602	1,659,871,240
EDUCATION					
Support to State and Local Education	4,627,655,693	5,123,602,302	5,736,597,989	6,346,722,708	6,697,513,750
State Contribution to Teacher Retirement	417,308,452	469,505,603	581,115,831	619,337,873	587,972,019
Total	5,044,964,145	5,593,107,905	6,317,713,820	6,966,060,581	7,285,485,769
OTHER EXPENDITURES					
Grants to Political Subdivisions	329,168,488	349,511,412	394,744,558	401,339,878	581,695,371
Payment of Public Debt	108,948,644	119,451,553	126,678,662	137,666,619	167,847,446
State Contribution to Employee Social Security	226,595,626	256,036,238	290,366,311	327,170,232	361,824,972
State Contribution to Employee Retirement	96,652,493	106,267,553	121,216,709	136,331,236	152,573,580
Miscellaneous	10,557,217	14,060,129	19,366,397	18,696,631	20,030,771
Total	771,922,468	845,326,885	952,372,637	1,021,204,596	1,283,972,140
TOTAL NET EXPENDITURES	$10,210,907,514	$11,367,553,831	$12,074,204,469	$13,539,476,462	$14,348,917,194

TABLE 22 (Continued)
Net Expenditures[1] By Function And Closing Cash Balances
Funds 1-899
Year Ended August 31, 1984

	1980	1981	1982	1983	1984
Net Interfund Transfers and Investment Transactions	$ 651,834,740	$ 1,044,712,409	$ 777,396,773	$ 673,545,991	$ 746,453,029
Expenditures from Petty Cash to State Treasury	49,111	97,200	58,794	266,375	34,706
Closing Net Cash Balances, August 31					
State Treasury	1,949,779,322	2,272,833,378	2,859,710,368	2,222,035,704	2,048,614,861
Petty Cash	1,686,571	2,074,388	2,840,440	3,275,282	3,564,248
Total, Closing Net Cash Balances, August 31	1,951,465,893	2,274,907,766	2,862,550,808	2,225,310,986	2,052,179,109
Total Net Expenditures and Closing Cash Balances	$12,814,257,258	$14,687,271,206	$15,714,210,844	$16,438,599,814	$17,147,584,038

[1]Excludes some expenditures not cleared through the Comptroller's Office.

The Administrative category, which consists of the executive, legislative and judicial branches of state government, as well as business regulatory commissions, accounts for the smallest percentage of state spending. Total expenditures in this category were $568.9 million in fiscal 1984, a 14.9 percent increase over a year ago. Expenditures in this category accounted for four percent of total state spending in 1984. These expenditures for fiscal 1984 can be broken down in the following functions: executive departments, $372.8 million; business regulatory commissions, $106.2 million; legislative departments, $44.4 million; and the judiciary, $45.5 million.

Expenditures by Object

Table 25 presents state expenditures for Funds 1-899 by object category for the past five fiscal years. This view cuts across state agency lines, presenting an alternative look at how state dollars are spent. Table 26 provides historical information on the percent of total expenditures represented by each object category, while Table 27 shows the year-to-year percentage changes for each object. All of these data are for Funds 1-899, excluding state suspense and trust accounts.

Foundation School Program grants were the largest object of state spending in fiscal 1984. Total outlays to school districts for this program were $3.70 billion, a 6.2 percent increase over a year ago. These expenditures accounted for 25.7 percent of total state spending during the year. Foundation School Program grants have represented approximately one quarter of total state spending in each of the last five fiscal years. The average annual growth rate for these expenditures over this period was 9.3 percent (Figure 19).

FIGURE 19
Fiscal 1984
Net Expenditures
By Object

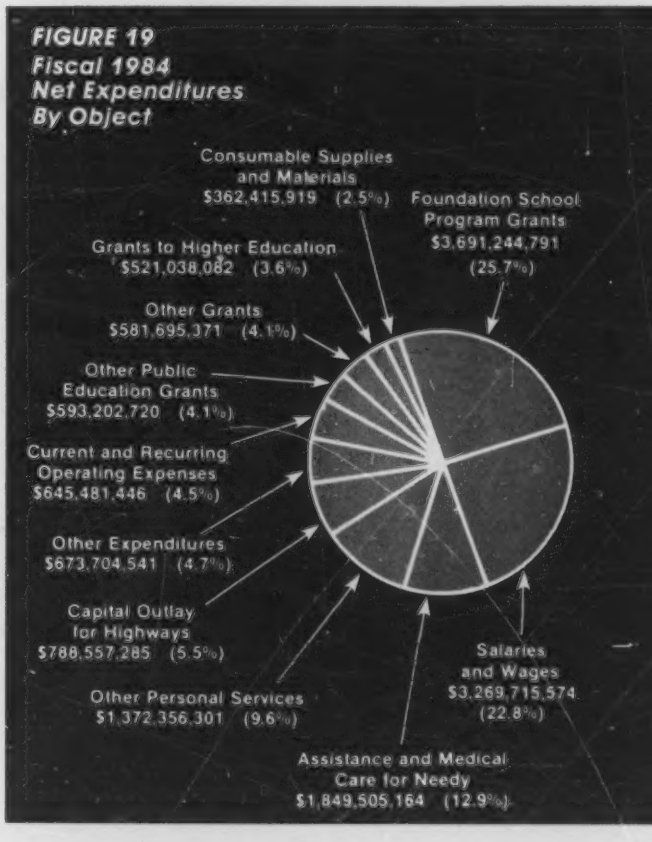

Consumable Supplies and Materials $362,415,919 (2.5%)
Foundation School Program Grants $3,691,244,791 (25.7%)
Grants to Higher Education $521,038,082 (3.6%)
Other Grants $581,695,371 (4.1%)
Other Public Education Grants $593,202,720 (4.1%)
Current and Recurring Operating Expenses $645,481,446 (4.5%)
Other Expenditures $673,704,541 (4.7%)
Capital Outlay for Highways $788,557,285 (5.5%)
Salaries and Wages $3,269,715,574 (22.8%)
Other Personal Services $1,372,356,301 (9.6%)
Assistance and Medical Care for Needy $1,849,505,164 (12.9%)

TABLE 23
Percent Of Net Expenditures By Function
Funds 1-899

	Percentage of Total				
	1980	1981	1982	1983	1984
ADMINISTRATIVE					
Executive Departments	1.8%	1.8%	2.0%	2.4%	2.6%
Business Regulatory Commissions	0.6	0.6	0.6	0.7	0.8
Legislative	0.2	0.3	0.3	0.3	0.3
Judicial	0.2	0.2	0.3	0.3	0.3
Total	2.8	2.9	3.2	3.7	4.0
SERVICES					
Welfare	15.7	16.6	14.9	15.9	16.1
Mental Health, State Homes and Corrections	5.0	5.2	6.1	5.9	6.0
Health and Sanitation	1.5	1.5	1.7	1.7	1.5
Law Enforcement	1.0	1.0	1.1	1.1	1.1
Total	23.2	24.3	23.8	24.6	24.7
IMPROVEMENTS					
Highway Maintenance and Construction	15.5	14.5	11.2	11.2	10.0
Natural Resources	0.9	0.9	1.0	1.0	1.0
Parks and Monuments	0.6	0.7	0.6	0.6	0.6
Total	17.0	16.1	12.8	12.8	11.6
EDUCATION					
Support to State and Local Education	45.3	45.1	47.5	46.9	46.7
State Contribution to Teacher Retirement	4.1	4.1	4.8	4.5	4.1
Total	49.4	49.2	52.3	51.4	50.8
OTHER EXPENDITURES					
Grants to Political Subdivisions	3.2	3.1	3.3	3.0	4.0
Payment of Public Debt	1.1	1.1	1.0	1.0	1.2
State Contribution to Employee Social Security	2.2	2.3	2.4	2.4	2.5
State Contribution to Employee Retirement	1.0	0.9	1.0	1.0	1.1
Miscellaneous	0.1	0.1	0.2	0.1	0.1
Total	7.6	7.5	7.9	7.5	8.9
TOTAL NET EXPENDITURES	100.0%	100.0%	100.0%	100.0%	100.0%

Expenditures for elementary and secondary education in addition to the Foundation School Program are classified as other public education grants. Total spending in this category was $593.2 million in 1984, a 1.7 percent decrease from a year ago. These grants exhibited an average annual growth rate of 4.2 percent over the five year period.

The second largest object of state spending in fiscal 1984 was salaries and wages. Total salary and wage costs were $3.27 billion, 22.8 percent of total

TABLE 24
Annnual Percentage Change In
Net Expenditures By Function
Funds 1-899

	Percentage Change from Prior Year			
	1981	1982	1983	1984
ADMINISTRATIVE				
Executive Departments	15.8%	17.1%	34.6%	13.8%
Business Regulatory Commissions	11.4	17.9	11.6	22.2
Legislative	35.9	- 0.5	30.6	8.7
Judicial	8.7	29.8	10.7	14.4
Total	15.9	16.7	27.4	14.9
SERVICES				
Welfare	18.0	- 4.6	19.3	7.7
Mental Health, State Homes and Corrections	14.2	24.5	10.5	7.1
Health and Sanitation	13.3	18.0	10.3	- 7.1
Law Enforcement	10.3	13.9	11.5	10.6
Total	16.6	3.8	15.0	6.7
IMPROVEMENTS				
Highway Maintenance and Construction	3.9	-17.6	12.4	- 5.5
Natural Resources	12.0	17.9	8.9	2.1
Parks and Monuments	40.1	-16.9	4.4	16.1
Total	5.6	-15.5	11.7	- 4.0
EDUCATION				
Support to State and Local Education	10.7	12.0	10.6	5.5
State Contribution to Teacher Retirement	12.5	23.8	6.6	- 5.1
Total	10.9	13.0	10.3	4.6
OTHER EXPENDITURES				
Grants to Political Subdivisions	6.2	12.9	1.7	44.9
Payment of Public Debt	9.6	6.1	8.7	21.9
State Contribution to Employee Social Security	13.0	13.4	12.7	10.6
State Contribution to Employee Retirement	9.9	14.1	12.5	11.9
Miscellaneous	33.2	37.7	- 3.5	7.1
Total	9.5	12.7	7.2	25.7
TOTAL NET EXPENDITURES	11.3	6.2	12.1	6.0

expenditures for the year. Spending in this category increased by six percent from last year's level. The average annual growth rate for this object over the past five years was 11.5 percent.

Expenditures for other personal services were $1.37 billion in fiscal 1984, making up 9.6 percent of total state expenditures during the year. These disbursements increased by 4.4 percent above a year ago and showed an average annual growth rate of 11.5 percent over the past five years. Other personal services include the state share of the group insurance plan for employees, state employee and teacher retirement costs, unemployment and workers' compensation benefits and claims, social security contributions and professional services used by the state.

Assistance and medical care for the needy totaled $1.85 billion in fiscal 1984. This was an increase of eight percent above a year ago. Expenditures under this object experienced average annual increases of 10.3 percent between 1980 and 1984.

Capital outlay for highways was $788.6 million in fiscal 1984, showing a 0.9 percent increase over 1983. These outlays accounted for 5.5 percent of total state spending in 1984. The average annual growth rate in outlays for highways from 1980 to 1984 was 6.2 percent.

The other grants category comprises grants to political subdivisions of the state, community action agencies, college students and several other recipients. Fiscal 1984 expenditures for this category were $581.7 million, an increase of 44.9 percent above a year ago.

Capital outlay for land and buildings of $243 million decreased by 18.2 percent in 1984. This object includes the construction and remodeling of state buildings, as well as highway right-of-way purchases.

Current and recurring operating expenses were $645.5 million in fiscal 1984. This category includes such items as maintenance and repair expenses, travel costs of state employees, rental service fees and utility costs.

Other capital outlay totaled $261.6 million in 1984, a 1.3 percent increase from a year ago.

Expenditures for consumable supplies and materials were down 2.1 percent below a year ago.

Payments of principal on state bonds and other indebtedness totaled $74.7 million, while interest payments and other claims totaled $94.4 million.

TABLE 25
Net Expenditures[1] By Object
Funds 1-899
Year Ended August 31, 1984

Object Category	1980	1981	1982	1983	1984
Salaries and Wages	$ 2,117,064,546	$ 2,349,708,510	$ 2,715,931,031	$ 3,085,639,907	$ 3,269,715,574
Other Personal Services[2]	887,564,123	1,008,573,497	1,193,574,199	1,314,721,391	1,372,356,301
Consumable Supplies and Materials	263,531,826	276,465,340	310,663,624	370,236,754	362,415,919
Current and Recurring Operating Expenses	398,284,084	457,398,113	531,348,395	596,260,222	645,481,446
Assistance and Medical Care for Needy	1,250,771,749	1,513,149,087	1,416,245,213	1,712,309,794	1,849,505,164
Foundation School Program Grants	2,591,361,347	2,864,339,685	3,218,166,450	3,474,963,280	3,691,244,791
Other Public Education Grants	503,549,766	619,899,213	535,060,711	603,262,229	593,202,720
Grants to Higher Education	331,708,901	326,390,052	403,710,056	467,062,195	521,038,082
Other Grants	329,168,488	349,511,412	394,744,556	401,339,878	581,695,371
Payment of Principal on Indebtedness	51,820,000	57,795,000	61,664,991	104,345,201	74,729,000
Payment of Interest and Other Claims	57,313,168	61,839,585	70,653,100	72,842,911	94,404,470
Capital Outlay for Highways	1,086,237,031	1,121,160,911	776,464,405	781,240,769	788,557,285
Capital Outlay for Land and Buildings	144,568,670	190,499,878	213,247,624	296,993,740	242,938,361
Other Capital Outlay	197,963,815	170,823,548	232,730,114	258,258,191	261,632,710
TOTAL NET EXPENDITURES	$10,210,907,514	$11,367,553,831	$12,074,204,469	$13,539,476,462	$14,348,917,194

[1]Excludes some expenditures not cleared through the Comptroller's Office.
[2]Includes pensions and workers compensation payments.

TABLE 26
Percentage Of Net Expenditures By Object
Funds 1-899

Object Category	Percentage of Total				
	1980	1981	1982	1983	1984
Salaries and Wages	20.8%	20.7%	22.5%	22.8%	22.8%
Other Personal Services	8.7	8.9	9.9	9.7	9.6
Consumable Supplies and Materials	2.6	2.4	2.6	2.7	2.5
Current and Recurring Operating Expenses	3.9	4.0	4.4	4.4	4.5
Assistance and Medical Care for Needy	12.2	13.3	11.7	12.6	12.9
Foundation School Program Grants	25.4	25.2	26.7	25.7	25.7
Other Public Education Grants	4.9	5.4	4.4	4.5	4.1
Grants to Higher Education	3.3	2.9	3.3	3.4	3.6
Other Grants	3.2	3.1	3.3	3.0	4.1
Payment of Principal on Indebtedness	0.5	0.5	0.5	0.8	0.5
Payment of Interest and Other Claims	0.6	0.5	0.6	0.5	0.7
Capital Outlay for Highways	10.6	9.9	6.4	5.8	5.5
Capital Outlay for Land and Buildings	1.4	1.7	1.8	2.2	1.7
Other Capital Outlay	1.9	1.5	1.9	1.9	1.8
TOTAL NET EXPENDITURES	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 27
Annual Percentage Change In
Net Expenditures By Object
Funds 1-899

Object Category	Percentage Change From Prior Year			
	1981	1982	1983	1984
Salaries and Wages	11.1%	15.6%	13.6%	6.0 %
Other Personal Services	13.6	18.3	10.1	4.4
Consumable Supplies and Materials	4.9	12.4	19.2	- 2.1
Current and Recurring Operating Expenses	14.8	16.2	12.2	8.3
Assistance and Medical Care for Needy	21.0	- 6.4	20.9	8.0
Foundation School Program Grants	10.5	12.4	8.0	6.2
Other Public Education Grants	23.1	-13.7	12.7	- 1.7
Grants to Higher Education	- 1.6	23.7	15.7	11.6
Other Grants	6.2	12.9	1.7	44.9
Payment of Principal on Indebtedness	11.5	6.7	69.2	-28.4
Payment of Interest and Other Claims	7.9	14.3	3.1	29.6
Capital Outlay for Highways	3.2	-30.7	0.6	0.9
Capital Outlay for Land and Buildings	31.8	11.9	39.3	-18.2
Other Capital Outlay	-13.7	36.2	11.0	1.3
TOTAL NET EXPENDITURES	11.3	6.2	12.1	6.0

Flow Of Funds To Local Governments

The State of Texas channeled a total of $6.01 billion to local governments in fiscal 1984.

State grants totaled $4.18 billion. Federal funds administered by state agencies totaled $676.3 million. Shared revenue totaled $45 million from mixed-beverage taxes. Local governments also received $1.11 billion in city sales and MTA taxes.

The flow of funds to local governments is summarized in Table 28 by program category. The categories are briefly outlined below:

1. Highways/Transportation. Programs and services supporting highways, airports and public transit.
2. Public Safety/Law Enforcement. Includes law enforcement, traffic safety, civil defense and disaster relief programs.
3. Education. Includes payments made to public schools in accordance with the Foundation School Program; payments, not in the Foundation School Program, made to elementary and secondary schools, such as Vocational-Technical, Rehabilitation and Distributive Education programs, and the School Lunch program; and grants-in-aid to junior colleges.
4. General Government/Social Services/Natural Resources. Includes programs of a generally administrative nature, finance, judiciary, etc.; and programs for the poor, the elderly, the young, the physically and mentally disabled and alcoholics. Also includes parks, recreational facilities and pollution control programs.
5. Shared Revenue. Includes proceeds of mixed beverages tax allocated quarterly to cities and counties.
6. Taxes Collected in Trust. Includes local sales and use tax and Metropolitan Transit Authority tax receipts collected by the Comptroller.

TABLE 28
Flow Of Funds To Local Governments
Year Ended August 31, 1984

	Cities	Counties	Metropolitan Transit Authorities	Junior Colleges	School Districts	Total
STATE GRANTS						
Highway/Transportation	$ 4,191,748	$ 7,898,440		$	$	$ 12,090,188
Public Safety	76,245	9,286,564				9,362,809
Education				428,947,399	3,717,630,724	4,146,578,123
General Government/Social Services/Natural Resources	7,888,572	4,222,225				12,110,797
TOTAL	$ 12,156,565	$21,407,229		$428,947,399	$3,717,630,724	$4,180,141,917
FEDERAL GRANTS						
Highway/Transportation	$ 19,628,805	$ 8,881,590		$	$	$ 28,510,395
Public Safety				12,936,934	566,816,787	579,753,721
Education						
General Government/Social Services/Natural Resources	46,579,675	21,411,857				67,991,532
TOTAL	$ 66,208,480	$30,293,447		$ 12,936,934	$ 566,816,787	$ 676,255,648
SHARED REVENUE						
Mixed Beverages Tax	$ 21,746,669	$23,322,827				$ 45,069,496
TOTAL	$ 21,746,669	$23,322,827				$ 45,069,496
TAXES COLLECTED IN TRUST						
City Sales Tax	$842,844,649					$ 842,844,649
MTA Tax			$ 270,674,880			270,674,880
TOTAL	$842,844,649		$270,674,880			$1,113,519,529
TOTAL FUNDS TO LOCAL GOVERNMENTS						$6,014,986,590